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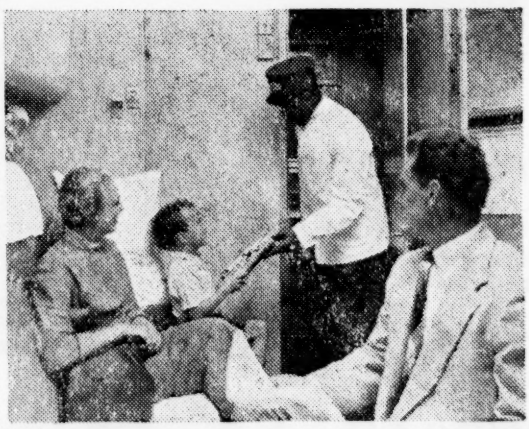

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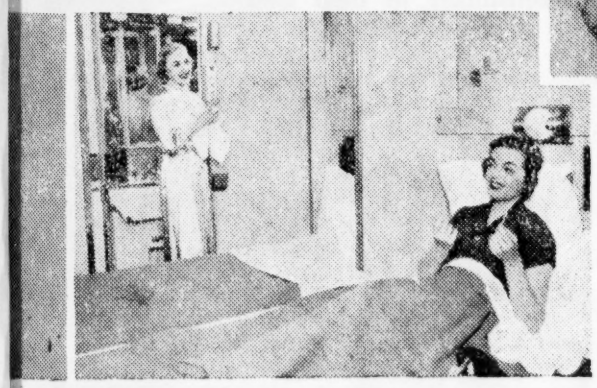

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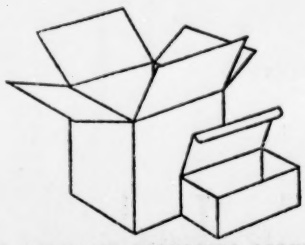

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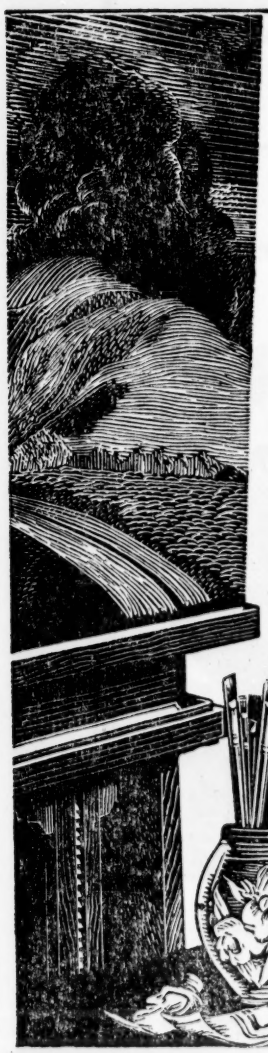

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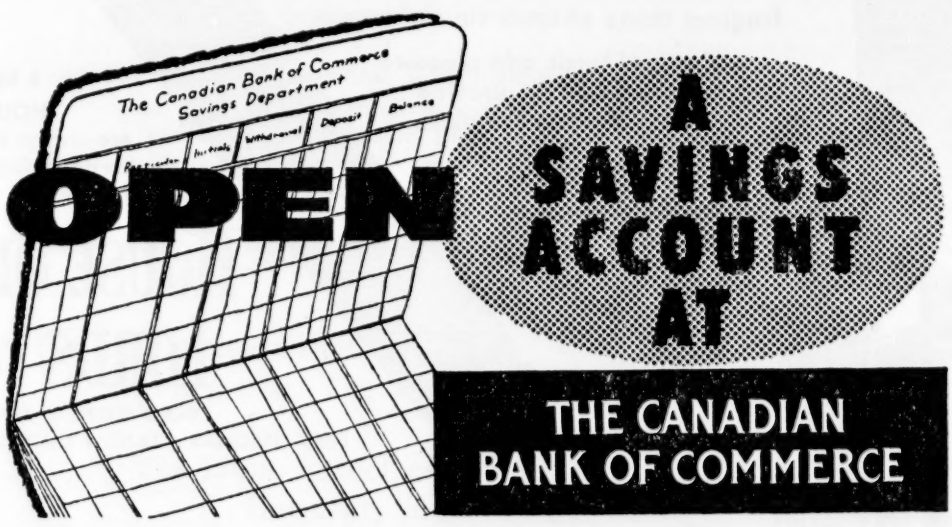

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Editorial . . .

In 1954, despite record exports of newsprint, Canadian exports as a whole fell over 6%. In our economy, no less than a third dependent on foreign trade, this fall is serious and deserves the closest study. International trade is the theme of this spring edition of The Business Quarterly; it has also been the subject of new and special studies and research at Western's School of Business Administration.

Is Canadian trade policy at fault? The General Agreement on Trade and Tariffs (G.A.T.T.) has been the basis of Canada's foreign economic policy since the International Trade Charter was aborted and abandoned by its parents. Since November the major trading nations of the world have all been haggling in Geneva, despite the benign offices of the Canadian chairman, Dana Wilgress, over G.A.T.T.'s continued existence. The Americans have demanded that on this occasion G.A.T.T. must like I.T.O. be submitted to Congress for ratification before U.S. participation. Yet is there any possible alternative?

Are Canadian prices too high? Canadian wheat exports in 1954 were down $200 million, 40% below 1953. Where reliance is on an international market, farm incomes fell 37% in Saskatchewan, 20% in Alberta and 15% in Manitoba, but in more diversified Ontario and Quebec they rose to $742 and $408 million against $693 and $387 million in 1953. The Knox Report on Canadian electrical manufacturing emphasizes that the premium on the Canadian dollar together with other factors gives U.S. competitors an 18% edge and should be eliminated.

Are Canadian overseas sales efforts inadequate? Yes—says Ernest Watkins in this special foreign trade number of The Business Quarterly. Also dissatisfied are the graduates, researching Canadian firms' foreign trade activities. More aggressive efforts to obtain orders from abroad are needed. For consumer goods, Eric Curwain advocates more local advertising.

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Letters to the Editor . . .

Foreign Trade Issue

Dear Sir:

I was very pleased to learn that the spring issue of The Business Quarterly will feature articles on Canada's stake in international trade.

You should be complimented on the leadership shown in focusing attention on foreign trade problems which form such an integral part of our national economy. A better grasp of the problems involved should be of importance to students and business alike.

Through the publication of such articles you are making a real contribution which is highly appreciated by the foreign trade community of our nation.

I. E. Lenard, President,
Canadian Exporters' Association

Is Business Humourless?

Dear Sir:

If your effort at humour in the last issue was intentional, I welcome it. To glance down the list of subjects on the cover and find that consecutive titles asked questions and gave appropriate answers was a bright innovation. What Business Expects in 1955 — Primitive Magic, and What Labour Expects of Business in 1955 — More Money for All sum up the situation nicely. Can we expect more humour? Humour ensures a sense of proportion. It also makes your magazine more readable, and Dr. Kohr's humourous approach should stimulate interest in the difficult subject of research in Canada.

William Shaw,
Vancouver, B.C.

It was intentional. Contributors and book reviewers are encouraged to have a sense of proportion. But there is only one step from the sublime to the ridiculous and we set out to rival neither Punch nor the New Yorker.—Editor.

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About Our Authors . . .

Ernest S. Watkins, graduate of Liverpool University, lawyer, formerly in London, England, now in Calgary, major in the British gunners, was since 1945 radio commentator on international affairs at the BBC and assistant editor of "The Economist". His former publications are "According to Plan", "The Cautious Revolution" and "Prospect of Canada", the last reviewed in the winter Business Quarterly.

Eric Curwain after studying languages at Strasbourg spent twenty years in Europe, North, Central and South America in travel, export and (chiefly) advertising. His experience ranges from playing soccer for France against Poland, writing short stories, serving as a flier during the war and for a period with the British Foreign Office. Now he is with the Canadian International Trade Fair.

Dr. Arthur D. Angel, Stanford and U.C.L.A. graduate, has taught at Drake and Michigan State Universities. He has specialized in such operations as the Central Valley Project of California and the St. Lawrence Seaway and Power Project.

John R. W. Gwynne-Timothy is the Assistant Librarian and Lecturer in the Departments of History and Economics at the University of Western Ontario. During the Second World War he served as a pilot in the R.C.A.F. Dr. Gwynne-Timothy is a graduate of the Universities of Toronto and Oxford and has also done extensive research in France.

Dr. Harold A. Logan, with Acadia, Yale and Chicago degrees, has been Professor of Economics at Purdue, Brandon, Randolph Macon, Western Ontario and Toronto. He has made a special study of trade union organization in Canada and his publications include "History of Trade Union Organization in Canada", "Labour in Canadian - American Relations", and (now in press) "Trade Unions in Canada: Their Development and Functioning".

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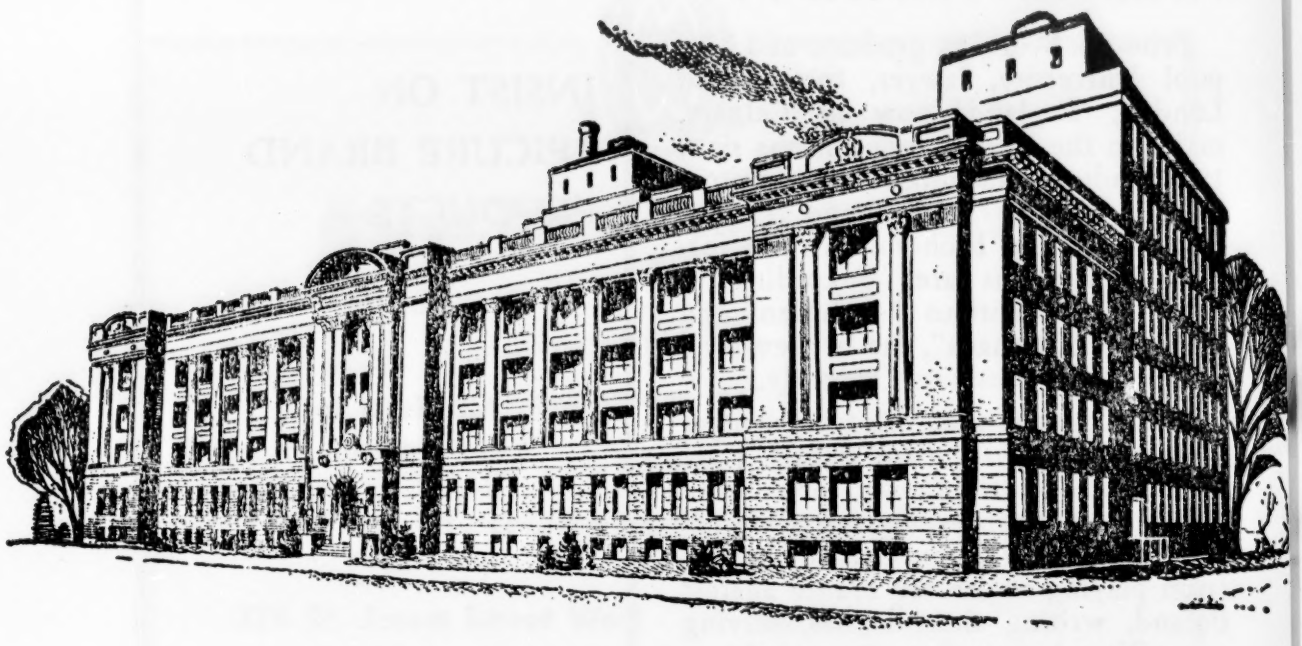

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Exports As Ambassadors

Ernest Watkins

Everyone knows that Canada is an exporting country. Wheat, wood-pulp, nickel; commodities such as these run off the tongue. Everyone knows, too, that Canada does not export enough; at least they should, for the general level of the balance of trade for 1954, showing an excess of imports over exports of some $150 million a month on the figures available, is far from being a new phenomenon in the post-war period. Yet these two facts, separately or together, do not make up anyhing near the whole story. The real questions can, perhaps, be put in this way. Is Canada's reputation as a storehouse of primary products and raw materials more of a handicap than a help to the country's economy at the present time? May not the fact that the continued inflow of American capital tends to conceal the state of unbalance in trade across the border be the equivalent of a suppression of a somewhat disturbing symptom? To put a third question: What is Canada doing to emphasize to the rest of the world, first, that Canada is a country that can export something more than the raw materials for others to use, and, secondly, that Canada must increase her exports of manufactured articles if she is not to suffer setbacks in the rise, continuous so far for fifteen years, in her standard of living?

IT is not necessary to repeat that, today, the emphasis in the international markets is far more on selling than on manufacture. There are a great many elements that must come together to produce the successful selling of manufactured goods in an external market. Price is one and many would say that some of Canada's costs are too high. But there are others and the particular one to be discussed here is one that sometimes escapes its fair notice. It can best be described, perhaps, as reputation; not good or bad reputation; just reputation. What kind of reputation has Canada, looked at from outside, in the world of international trade?

On the face of it, that question is a little vague. Perhaps it can be made clearer by looking, first, at the reputation that Britain and Germany have in the same field. All over the world Britain and Germany are known as countries which both must and do export to live. They export a very wide range of manufactured goods but the bulk of their earnings from external trade comes from engineering products

of every description, from power-station equipment to aircraft. For nearly ten years both countries have, so to speak, proclaimed to the world at large that exports are their lifeblood. That is perfectly true but they are by no means the only two countries in that situation. What they have succeeded in doing, consciously or unconsciously, is to convert what might have been no more than a cry for help into one of the best advertising slogans of the decade. They have made good use of their misfortunes. For that they are not to be blamed, since the misfortunes are real (although arising from very different causes). The fact remains that both countries have made buyers all over the world very conscious that, in their workshops, were possible sources of supply for the things they needed. No buyer in the engineering field would fail at least to check up on what Britain and Germany have had to offer. The two countries have, like good advertisers, linked a particular name with a particular need. Over these ten years they have rebuilt their reputations as exporters of manufactured goods.

Canada—Seen from Outside

Canada has not done that. Since the war she has rebuilt her reputation as a source of raw materials—rebuilt it and extended it. Over manufactured goods it could almost be said that she has lost ground, that more people knew more about Canada's industries ten years ago than do now. Canada emerged from the war with a new-found reputation as a manufacturing country. Today, she is almost better known for Kitimat, the place which turns out enormous quantities of raw aluminum, and then exports it.

There have been certain plain facts about Canada's position that have made this situation likely (but not inevitable) and the most powerful of them has been her proximity to and close ties with the United States. This has given Canada as a whole very many advantages. It gives Canadian industry immediate recourse to information and experience from the most advanced industrial nation in the world. There are no bars to Canadians learning what they will from the United States, no dollar shortage to keep them out, no language difficulty to make the task harder, no vast distances to travel nor time to be spent on the visit. The links between Canadian and American business and know-how are not one-way channels; it may be easier for those south to move north but it is not impossible for those north to move south. All that means that Canadian enterprise—wholly-owned Canadian enterprise—need not be, and in fact is not, inferior in skill to that further south. But these are practical advantages. They don't of themselves enhance Canada's reputation as a manufacturer for export.

Indeed they may do the reverse, for now look at the picture as seen by the man outside Canada, the potential buyer of Canadian manufactured goods, the man who lives in Europe or South America or

Rhodesia. He sees, first, a country which, so he has always been told, is a half way house between Britain and the United States. He sees a set-up of manufacture and ownership which looks Anglo-Canadian or Americo-Canadian, less frequently purely Canadian. Automobiles are made in Canada but they are the familiar American makes and models. Aircraft are made in Canada; of purely Canadian design? He does not know. There are concerns in Canada making chemicals, making electrical goods of every description. Which are purely Canadian, which have links with other countries? He has no means of knowing, without making a great many enquiries first. In this state of mind he may be forgiven for tending to feel, perhaps, that there is no need for him to investigate these industries and their products in Canada in particular. They may well be the offshoots of parallel concerns in Europe or the United States; in which case, why not go to the fountain head? Why come to Canada to buy an American automobile just because it happens to have been made in Canada? Why not go to the parent factory itself?

How to Mark "Made-in-Canada" on Wheat and Raw Materials?

However many—or however few—Canadians may deplore this state of affairs, it remains a fact and the exporter, above all men, must recognize facts when he encounters them. He must also come to terms with them. He can never explain a fact away and if he is wise he rarely tries. He works in a world where the customer is always right. But, again as a salesman, he knows that appearance is as much a fact as reality, that the right kind of packaging sells as many articles as inherent worth and value (perhaps more). The basic question really is this: How can the manufacturing capacity of Canada be 'packaged' so as to have greater pulling power in the markets of the world?

It is here that the fundamental difference between Canada as an exporter of raw materials and Canada as an exporter of manufactured articles becomes the more apparent. To be blunt, Europe buys wheat from Canada, and the United States buys wood-pulp and newsprint from Canada, only because they must. Over wood-pulp and newsprint there can be competition for markets between different producers in Canada, but that is competition for a share in an almost certain market. Individually, each can do little to expand the total market (although they may, from their wood, derive new materials and so create new markets). The grower of wheat in Canada has even less need of—and so capacity for—salesmanship in his product. His commodity is handled centrally and he knows that Britain, for instance, will spend as few dollars in buying wheat as she can. The elasticity of his market is governed by considerations that have almost nothing to do with either him or his product. And the buyers overseas tend to look at Canada through the same kind of glass. There are too many people outside Canada thinking of Canada as a place in which salesmanship abroad is not needed.

The exporter of manufactured goods suffers in consequence. He faces all the difficulties that beset a relatively small country endeavouring to increase its share of export markets in these kinds of goods. Canada cannot afford the network of commercial and diplomatic contacts across the world that Britain and the United States have and use, Britain because they were a part of her political past, the United States because they were needed for her political present. He faces difficulties of transportation, the long haul to the all-the-year-round ports, the absence of any sea transportation system based on his own country as so large a portion of the world's steamship lines is based on Europe. And he has these disadvantages in addition, the disadvantages that beset the man who has another and a different reputation running before him. He is in something of the position of the traveller in vacuum cleaners who wishes to switch over to the sale of costume jewellery.

Canadians Must Travel More

The purpose of this article is to outline one aspect of Canada's export problems, not to discuss how these handicaps can best be overcome. That, of course, is a little cowardly, for it is always easier to conjure up a vision of the mountains and swamps that lie ahead than it is to engineer the highway that will cross them. But surveyor's reports have at least some value to the engineer in his planning office. And it does look as though Canada does face a new problem in export; at least she must be flexible enough to adapt and combine the older methods to her present situation.

Canadian exporters obviously do not wish to become wholly dependent on government marketing of their products (even if the government showed any signs of wishing to assume that role). They may say that if every American family spent no more than five more dollars a year on Canadian products the problem would be solved, but that statement is not of itself likely to influence a single American family to act in that way. But it does look as though, in very many varieties of ways, some of the answers will be found in joint action. For instance, at one end of the scale, it is hard to believe that the salmon canning industry of British Columbia, or the maple syrup growers and packers of Quebec, will greatly extend their inroads into the American consumers market without some kind of trade-backed selling campaign. At the other end of the scale, it is possible to imagine that the manufacturers of Ontario and Quebec would be well advised to sound the Dutch and German shipping lines, who will so obviously expand their operations in the Great Lakes with the coming of the Seaway, on how they could, jointly, improve Canada's transportation facilities across the oceans of the world. There can be no single, no simple, solution to this problem.

But, whatever may be the different methods that may benefit differing industries, one factor remains common to them all; the need for Canadian exporters to visit and become acquainted personally with the markets and the men where they hope to sell. For the last ten years the buyers in North America have insisted that Europeans wishing to sell over here must know their intended markets at first hand; that exhortation should hold good both ways. People tend to buy more easily from those they know, not so much because of any charm of personality but because they feel that a man or an organization who has taken the trouble to seek them out and study their local conditions on the spot should be able to fill their needs more exactly. Americans are encountered the world over. How can the rest of the world tell that there are two distinct countries in North America if Canadians are content to leave Canada as no more than a name on a map, a country of farmers and miners, not of manufacturers and salesmen?

There remains this question of the prestige, the reputation, of Canada as a factor in the supply of manufactured goods to the world markets. It is a problem of salesmanship and it will surely take thought and imagination and time in finding the answer. But the first step must, equally surely, be a recognition of the problem as it is. It is unnecessary for Canada to advertise her raw materials, but, because she has sold them for so long, it is even more necessary now for her to advertise the things her own people have made.

Export Prospects for 1955

Said Minister of Trade and Commerce C. D. Howe on December 26:

"So far as export markets are concerned, the signs are now reasonably encouraging. The adverse influences which contributed to the decline in exports during the last two years, are for the most part no longer of consequence. In the United States, there is now clear evidence of at least a temporary strengthening in economic conditions. This should result in some increase in Canadian exports to that important market, reversing the moderate decline which occurred in 1954. The generally prosperous conditions which now prevail in the United Kingdom and other Commonwealth countries and in Western Europe give promise of sustained markets for Canadian products in those overseas countries. Raw materials in particular may be needed in increasing quantities to service the rising volume of industrial production in the resource-deficient countries of the old world. Generally speaking, the present firm trend of production and trade throughout the world will in all probability provide an important stimulus for the Canadian economy."

Advertising For Export

Eric Curwain

Do you allow your goods to sell themselves in foreign markets? Should you advertise and if so, in what media? How do you select your advertising agents, methods in far-away countries? Here to answer all these current conundrums writes Eric Curwain, formerly of Coleman Lamp and now with the Canadian International Trade Fair.

THE biggest and the smallest exporters of any country are like so many ducks swimming in one pond. All have the same scope for action; and sometimes the smallest duck, by skilful splashing and navigation, gets more attention than his big brothers. Some firms never seem to master the art of selling in foreign fields, while others, with smaller capital, take to it like a duck to water.

A company signals its presence in export markets by (i) its salesmen, (ii) its advertising and (iii) its goods. This article deals with advertising, but the interdependence of the first two points was impressed on the writer some time ago when present at the briefing of a young Canadian salesman embarking on his first trip to Europe and Africa.

Listening to the instructions given him by the export manager one realized the difference between his assignment and that of a man told merely to travel Canada. Going abroad, he would have no mass moral support from radio, newspapers and other media. True, his firm had sent overseas enough metal signs to mark every kilometer around the equator; he would also have the support of advertisements in overseas newspapers and perhaps even hear the odd radio "spot". His firm was selling and advertising in over forty countries. All this however was much less than the impact the company achieved in the Canadian market. This salesman therefore had a keen interest in the skilful administering of that export budget.

We thus make our first point, namely, that in export, salesman and advertising manager are blood brothers. The advertising man should sit in on all the sales conferences and, whenever possible, on production talks. In the domestic field this is desirable: in export, it is essential.

Market Research Overseas

Although this article deals mainly with an export department

working full tempo in established markets, a few words about market research and initial advertising in new overseas outlets may not be out of place.

Some decades ago an English magazine published an article with cartoons showing a German scientist, surrounded by instruments and complicated graphs, measuring an egg. The egg was from India. The British had overlooked the fact that the Indian egg was smaller than the one appearing on English breakfast table and had gone on shipping full-size eggcups. This old-time indifference of the British manufacturer is familiar to many of us. In the home market the manufacturer may sometimes educate the public: in the overseas consumer goods market, never! To attempt to sell wrongly styled goods overseas is like trying to make a nickel function in a dime slot machine.

With the many government agencies now existing, backed by the export associations, market research is straight-forward. Canadian Government trade commissioners serving abroad are doing a splendid job for the Canadian exporter—over a hundred officials are ready to serve him and advise him on trade as it concerns any free country.

A firm's own efforts would also include the study of every possible newspaper (including competitive advertisements) of the "target" country. A current file of all competitive advertising in all countries is essential, too. Discussions with travellers from the potential market are valuable, but not nearly so useful as contact with Canadians who have *lived* in the market. Most important of all, one's own salesmen should visit the country, live there, and mix with the businessmen and the public—and do their utmost to speak the language.

Such salesmen (usually now called representatives) should be empowered to appoint local agents on terms authorized by the head office, once the credit and stability of the appointee has been established (through a bank). One of the first things the new agent will ask is the amount of advertising support he may expect: to back up his request he will produce stacks of competitive advertisements clipped from the local press, and will continue ever after to do this to strengthen his perennial supplication for more advertising money.

In this day of nationalistic upsurge among non-industrialized countries, the move to build factories tends to raise protective tariff barriers. Such tariffs—active or only potential—are a prime consideration in market research.

This brings us to the possibility noted at a recent export conference. Firm "A" was trying to make up its mind to put up a factory either in Europe or in Brazil. Its decision was complicated by its belief that a European competitor was also thinking of starting manufacture in Brazil. What still further embroiled the discussion was the prevalence

of bi-lateral trade agreements which have a habit of sprouting overnight on the field of international trade. (There is no space here to dwell further on the dollar *versus* sterling battle which is implicit to some degree in the previous sentence.)

Advertising Must Be Local

It has been the writer's experience in two decades of export work that most advertising must be placed in local media. Some years ago at question-time during a conference of Canadian and American advertisers in Toronto, the following query reached the platform:

> If an Arabian advertising agency directed from Saudi Arabia an advertising campaign to be launched in Chicago for an Arabian exporter, what chance would it have of success? If your reply is "Very little", then what chance of success should we expect if we conduct an advertising campaign from our advertising agency office in Chicago to launch or sustain an American product in Saudi Arabia?".

The platform answered the second question: "Every chance because *we* are specialists". To anyone who knows Arabian customs and taboos, the reply seems inadequate. The British Broadcasting Corporation found that its wartime propaganda talks to the Arabs were less effective than those of the Germans who were *thinking* in the Arab idiom.

It can be said that the Arabian agency employed by the writer's firm did excellent layouts, and wrote copy equal to anything produced by a North American agency. This leads us to a fuller study of language and idiom.

Language a Keynote of the Market

A glance at the language denominations of the world suggests that Export concerns *markets* and not just one market. The language breakdown is an important consideration in the question of printing leaflets to be sent from Canada. (Such leaflets are designed in consultation with the overseas agents and so do not infringe the rule of "local advertising".) For instance, in preparing the budget one bears in mind that the number of people who speak French, Arabic or Portuguese is roughly the same—60 millions in each category. Indonesian (including various sub-divisions) has the surprising total of 80 millions. Prewar days showed a potential German-speech market of 100 million. Latin America has over 100 million speaking Spanish. (As a percentage of our trade with all countries, trade with Latin America has tripled since prewar.)

This language breakdown approach to advertising has a sound basis. It is not so much that the people speaking the same language have always the same buying habits, though this often applies. It is

rather that people speaking the same tongue have many reasoning habits in common. A good analogy is that of the wartime approach to decoding enemy messages, when the first step was to ascertain in what language the despatch was enciphered. Language is the first line of resistance to sales, and nothing can be accomplished until the *idiom* is mastered. In advertising, the first obstacle is the buyer's mentality; until one finds out how he thinks, no adequate appeal can be made to him (or her).

This admitted, one must immediately qualify it because of the influence of film and radio. When the North African peoples first started wearing trousers in place of their traditional garb, they had to decide how they were going to keep the trousers up. Although living near the European continent which had used suspenders (braces) for centuries, they chose belts after the style they had seen in American films. Today, the films, radio and television add even more cross currents to confuse our estimate of the foreigner's mind. It is the duty of an advertising man to keep up-to-date on such things.

Colour in Export Advertising

Since colour is a big factor in advertising costs, and a two-colour job cheaper than a four-colour one, a few words on the subject are necessary. Often colour becomes the tail that wags the dog. The urge to fly to three or four colours is the result of modern camera technique in printing and engraving. This technique has become so flexible that the advertiser is sometimes tempted to use four colours where two would suffice. In export, the first step is to find out the colour prejudices and the list of such is easy to establish. But the world is a changing place: as Emerson prayed—"Forgive me my opinions of yesterday and give me some new ones today."

Knowing that colour cravings do change, an expert recently tested colour appeal on a large group of women in the United States, by asking them when they entered his studio to state their favorite colour. When they left a little later, he invited each one to choose and take home a silk handkerchief from a big selection of varied colours. Few of the women chose the colour they had first nominated—they did not really *know* their favorite colour.

Excess of colour often detracts from the clarity of the reading matter. A two-colour job is easier to read and cheaper to produce than a three or four-colour one. For impact, it is hard to surpass a leaflet in red and black, or in green and black.

All the above has a bearing on a budget for advertising because of the tendency of engraving charges to become disproportionately large.

Advertising Media

"Media" in advertising usually means publications but we use the word here to cover any method of carrying out advertising. Here are a few of the various types of media used:

(*a*) *Trade Papers*

Some years after the writer had reduced to almost nil the use of trade papers for his overseas advertising, he asked another export advertising manager what item he would first chop out of his budget if called upon to reduce it. The reply without hesitation was—trade papers.

When a company has a budget of a quarter-million dollars or more and is looking for new markets, trade papers have their use. When however the firm is already in the local markets, has agents there and is merely trying to expand sales, the local agents can give infinitely better and cheaper coverage through the local newspapers.

(*b*) *Local Newspapers and Magazines*

To encourage agents and merchants in their local publicity, the writer instituted an advertising competition which ran for two years. Prizes were offered at the end of each of the two years, the judging of entries being made by a Canadian advertising agency. The results were printed in an attractive booklet, with illustrations of the best entries. The booklet, circulated among the company's overseas customers, created wide interest. It was another effort to create a family feeling and friendly rivalry among a widespread group of people selling the same products. The advertisements judged came from over forty countries and had been clipped from some 200 newspapers and magazines. The space cost of the advertisements varied from seven dollars (Canadian currency) upwards.

The policy of giving overseas customers the (exporting) firm's money to spend shows that one has confidence in them. Some of them will contribute a sum equal to that allowed by the exporter and thus double the advertising impact: this "co-operative" system is common at home and abroad. Other importers will be allocated money and will not be expected to contribute a similar sum because their advertising efforts will also benefit other customers. However, it is usually found that where any customer is allocated the exporter's money for advertising, that customer will spend as much and sometimes more of his own money for publicity.

One other excellent result of this type of local publicity is that an importer can insert an advertisement to coincide with the arrival of fresh goods from the exporter. This timing can never be achieved without such teamwork between an exporter and customer. One customer in Havana ran a special campaign just before the hurricane season opened, when his goods would always be in bigger demand.

To implement this system of advertising one needs to give each customer a mat catalogue showing the mats available. These usually have the product illustrated, together with the company logo. The customer gives the mat, together with his sales message, to the local newspaper or magazine. Mats are usually sent overseas by airmail. Good half-tone reproduction is now obtainable from plastic and other types of mat.

(*c*) *Fairs and Exhibitions*

Most countries have trade or agricultural fairs or other types of exhibitions. These are extensions of the famous European fairs — Sir Isaac Newton is said to have purchased his first prism at Stourbridge Fair in Cambridge. Provision should be made in the advertising budget for agents to make the best use of such shows, which have now become popular amongst traders and public alike. It would seem logical for every Canadian exporter to show the flag also at the Canadian International Trade Fair, in Toronto, where so many overseas buyers annually meet.

(*d*) *Radio and Television*

In certain countries with a high illiteracy rate the radio, by its oral impact, has greater value than in Canada. In most countries however it is felt by the writer, after a study of costs, that both radio and television lag behind other forms of advertising on a value-for-cost basis.

Here again the advice of one's agent is helpful: if he has been given a certain sum of money to spend, he is going to make the best use of it.

(*e*) *Calendars*

When an unusually attractive picture is used, the calendar will sometimes remain in place long after its expiry date. These can be printed locally, or sent from Canada, depending on cost. Desk calendars are also useful.

(*f*) *Signs and Posters*

Enamel, fluorescent, neon and other types of signs can be made in the local markets or sent from Canada. When made in Canada, the designs should first be approved by the dealer or merchant who will use them. Paper banners, counter cards and other point-of-sale material usually appear in the budget too. Freight and import duty on such items make the shipping charges sometimes disproportionate to their value as advertising media, thus dictating local purchase.

(*g*) *Leaflets*

Catalogue sheets (with prices) and dodgers (without prices) are much used in the "consumer" export business. The dodgers are the

sheets which usually reach the consumer public: prices are omitted of appliances and spare parts as these will vary from town to town.

Two methods of producing such sheets are used. One way is to print them completely in Canada using, of course, the language of the destination country. For Switzerland, the sheets might be bi-lingual (one side French, the other German). For North Africa they could be in French-Spanish. Portuguese, Norwegian, Dutch and Africaans are also used, as well as native languages of the Belgian Congo (Swahili and Lingala are two, and there are others, with newspapers printed entirely in those tongues).

In designing the artwork for such sheets due care is taken to make it adaptable to more than one language, so that on a colour printing job, only the language plate need be extra for any additional language. With experience this becomes automatic procedure for the artist or layout man.

The second method of handling such production of leaflets is to print the illustration of the product in two colours, plus the company logo or insignia, and send these "blanks" to overseas agents for completion in the local idiom. The blanks are printed in Canada because many small traders who use such sheets have no facilities for cheap printing, but are still able to fill in the text without too much trouble. This "blank sheet" procedure is capable of many adaptations to local sales campaigns. The fact that they can be run off on airmail stock, or on glossy stock, delights the agent and the trader. Such sheets comply with the primary rule in export advertising — cheap, flexible in application, attractive.

Company letterheads imprinted with the agent or trader's name and address are also popular. One hundred thousand or so "blanks", bearing only company title and logo, are run off in Canada by letterpress or offset at one initial printing. Such sheets are then put into the stock room. When customers write in for two or three thousand sheets, their name, telephone and other details are imprinted on the "blank" stock. Sometimes illustrations of appliances are also imprinted down the margin.

Instructions folders are also treated in the same way. All the foregoing imprintings are another of those services which, at small extra cost to the exporter, cause the customer to feel himself "one of the family."

Where an exporter does some of his own printing by offset in his plant, the machine overhead and operator's time will be included in the cost of the printing job (catalogue sheet, dodger or other).

(*h*) *Giveaways*

Under this heading come rulers, lapel pins, ashtrays, pocket knives,

key rings, billfolds, playing cards with specially imprinted backs, blotters and many other items. All of them bear the company logo or insignia.

Articles of personal wear are also given away. Good taste and discretion should govern the choice of such "gimmicks" (as they are called in advertising language). In the Belgian Congo, for instance, one manufacturer gave away loin cloths bearing his firm's insignia, to the delight of the natives. However, a native newspaper (printed in French) protested against such attempts to make the native look ridiculous. These boomerang effects are always stalking the brash advertiser.

Giveaway items can be charged against an agent or merchant's advertising allocation in the budget when the amount given away in a particular territory is large. If on the other hand the items are distributed equally in a number of countries they can be charged in a lump sum against the budget instead of against a particular territory. The latter method is preferable.

(*i*) *Lantern Slides*

The Near East, the Far East, Latin America and the Pacific Islands are some of the regions that use advertising on slides during intermission in movie theatres. Such items appear under a common heading in the budget, although the rental time in the theatres for such projections is a charge against the agent's allocation.

Budget Reserve

The Reserve is the money included in the budget but not immediately earmarked for a specific purpose. It is wise to keep a reserve for overseas agents, or for such things as fairs and exhibitions not foreseen (or not decided on) when the budget is estimated in the preceding September.

Another "emergency" occurs when an agent or merchant comes up with some well-timed idea for a local campaign. To refuse his request for a little extra money is unreasonable when acceding to it would show your confidence in his loyalty and judgment.

For reasons of policy too it may be necessary to give an advertisement to a trade paper, however much we may dislike the idea. For instance, in one of the overseas markets a prominent publication may be putting out a special "Canada" edition. There are several reasons why such an edition should be supported, apart from the possibility of getting some good editorial publicity.

Relevant to this subject of a reserve is the amount to be allocated to any one territory. The salesman who travels and supervises sales will try constantly to get bigger allocations for his customers. If he happens

to be covering Brazil, he may point out that the country, with 40 million people, has 1,400 newspapers (340 in San Paulo state alone); that it has over 3,500,000 radio sets; and that the competitors are using powerful soap operas on radio and television. He may even add that the Germans are about to use some "escape capital" to put up a factory there.

It has been said that "War is an option of difficulties." Advertising is an option of conflicting claims: the reserve is the buffer between the advertiser and the inevitable clamour for more and more money.

Conclusion

Present conditions call for a day-by-day analysis of what Great Britain, Germany and other countries are doing. To foresee and offset their competition is the duty of everyone in an export department; and the work is an exciting and constant challenge. Tariffs, as already said, rise up overnight, and advertising material and strategy must be adjusted from one day to another.

A buyer's market is with us now. Canada must send more and more salesmen overseas—call them *representatives* if you will, but make sure they are *salesmen.* Each must be backed by a flexible advertising campaign. Each must speak the language of the "target" country. All must have full confidence in the export advertising manager.

British Graduates in Industry

In Britain only 9% of boys aged 18 reach the level of intelligence required of leaders. Of these 9.% a growing majority go to universities, so that businesses still recruiting potential future managers direct from school at 18 had only 11,000 to choose from in 1951 compared with 30,000 in 1912.

Accordingly, as pointed out by the Federation of British Industries' new handbook, "Industry and the Graduate", industry must recruit more from the universities. "There can be no greater contribution to increased industrial efficiency than the recruitment of young men with qualities of leadership."

In another handbook, addressed to the undergraduate, "A Career for the Graduate in Industry", the F.B.I. education committee attempts to attract the university man into business by analyzing its staff structure and indicating the scope it offers. A third handbook, entitled "Education and Training for Management", shows the great contrast between executive training in Britain and North America.

U.S. Customs Appraisement

Will the United States Congress accept President Eisenhower's proposals for a revision of U.S. customs valuation procedures? During the past two years Great Britain has exported to the U.S.A. many products not previously imported. Such goods were allowed entry subject to payment of a deposit of the estimated duties, thus leaving many U.S. importers uncertain as to their eventual liability. This discouragement to trade with the U.S.A. needs no emphasis. In order to obtain from U.K. manufacturers information necessary for the final appraisement of duty, the U.S. Customs Service sent to Britain a team of eight appraisement officers. Before they returned these officers met representatives of British industry, and the following article republished from the "Federation of British Industries Review" summarizes points that arose.

THE work of the customs appraiser is to administer the law as he finds it. This is to some extent difficult in the United States since the law is very technical in certain parts of its operation and also by reason of the fact that the basis is still the Tariff Act of 1930, which was drawn up before many of the modern discoveries in the fields of plastics and electronics had been made. The position is further complicated by the fact that, unlike some countries, where the Commissioner of Customs has the final word, there is provision in the United States for appeals from the Commissioner's decision. If an importer is dissatisfied with any decision on classification he can appeal and possibly have the Customs Court reverse it. In this way there has grown up an elaborate body of case law in addition to the actual Customs Tariff.

The basis of valuation for duty is usually either the foreign value or export value, whichever is the higher. In successive years Congress has considered a Customs Simplification Bill which would eliminate foreign value, leaving export value as the basis; but this Bill failed in 1954 again to pass through Congress.

According to the Act of 1930:

"The foreign value of imported merchandise shall be the market value or the price at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale *for home consumption* to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, including the cost of all containers

and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States.

"The export value of imported merchandise shall be the market value or the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, *for exportation to the United States,* plus, when not included in such price, the cost of all containers and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States."

What is a "Freely Offered" Price?

If there are two classes of customer, to one of which a lower discount is granted, or if quantity discounts are given, then the dutiable value is calculated on the price with the lowest discount if the sales under that category exceed in number those sold with a higher discount, or *vice versa.* In the case of discounts for bulk sales of, say, ten per cent for certain quantities and thirty per cent for other quantities, then, if the ten per cent reduction represented fifteen per cent of the total sales transactions and the majority of the transactions (but not necessarily of the number of articles sold) were at thirty per cent, the appraiser would take this as the value for duty even though the goods were sold to the U.S. at ten per cent. The reverse also applies.

How Does This Affect the Position of New Products?

Following the introduction of a new product into the U.S.A. it would be in the manufacturers' interest to advise the appraiser of the highest discount applicable to the larger orders which would follow the sample deliveries.

While trial deliveries would attract a discount related to their numerical strength, when business increases sufficiently to merit a larger discount the appraiser should be notified.

What Effect Has Price Control in the Home Market?

The U.S. Government considers any form of re-sale price maintenance in the country of origin as a form of restriction and, in such cases, foreign value would be held not to exist and the export value would then be taken as the basis for valuation.

At What Point in the Constitution of Home Consumption Value Is Duty Assessed?

It is generally assumed that this is where the factory is located unless it can be shown that the location is in one place and all the sales are made at a different place. Any charges accruing after the merchandise is in a condition ready for shipment are not taxable, whether the goods are sold on a cif or fob basis. Some importers, therefore, request manufacturers to stop fob quotations and give ex-factory quotations.

So far as cif quotations are concerned, the law says that no charges shall be dutiable beyond the country of exportation.

What Happens if Neither "Foreign Value" nor "Export Value" Can Be Established?

The appraiser is required by law to take the next alternative, which is United States value. This is, generally, the price at which such or similar merchandise is sold in the United States, less a deduction for the amount of duty, insurance, etc., less general expenses (not to exceed eight per cent) and less profit (not to exceed eight per cent).

Since the general expenses in the United States run from twenty-five per cent to forty per cent and profits ar normally higher than eight per cent, the "United States value" is inevitably high and the importer usually confers with his Customs attorney to prevent appraisal on this basis.

The other alternative is "cost of production", which involves an enquiry in the country of origin. The appraiser must ascertain the cost of materials, their manufacture and general expenses. This last item shall be not less than ten per cent of the cost of the materials and their manufacture. A figure for profits is added which shall be not less than eight per cent of the cost of the materials, their manufacture and general expenses and to this is added the costs of packing ready for shipment to the United States.

Apart from inherent difficulties in calculating these items, the process depends also on the co-operation of other manufacturers of similar goods where costs are required for comparison purposes.

Can a Manufacturer Refuse to Give This Information?

He can, and in Switzerland the appraiser is forbidden to ask for such information and the manufacturer to supply it. However, if the exporter does refuse then the appraiser's decision is final because the former would have no standing in the U.S. courts to appeal against it.

What Is the Position if the Price Varies Between the Contract Date and the Date of Shipment?

It is the market value at the time of exportation which is operative. If this is above the contract price, then there may be a demand for additional duty. Likewise, if the invoice is prepared on the first of the month and the goods are not shipped until the fifteenth of the month, there might be a price variation affecting the duty payable.

Is It Possible for Different Rulings to Prevail at Different Ports of Entry?

This is quite possible for a variety of reasons. However, every appraiser has to report the first importation of any product and any error or disagreement in rates would then be seen and should not exist for more than ninety days. On the other hand, the Customs broker at one port may have failed to deduct certain charges or the importer may have made an incorrect entry.

It should not be necessary to "shop around for bargain ports"; and any exporter can submit a sample of his goods to the Bureau of Customs, Washington 25, D.C., for a definite ruling as to classification. This ruling will hold until ninety days after notification of an increase. Any reductions will operate immediately.

What Principle Is Applied in the Case of Goods Made From More Than One Material?

Classification is usually by way of the component of chief value. If there is no statement of the percentage of the contents then the appraiser will send a sample for test in the laboratories. Thus a scent spray might be described as being of glass, whereas, in fact, it consisted of glass, metal, rubber and silk, any of which might be the item of chief value. In the exportation of prefabricated houses such items as baths and sinks would be assessed separately as separate entities having a separate existence.

How Is It Decided Whether Products Are Coal-tar Derivatives or Not?

This is a highly scientific matter decided by chemical analysis and if a product contains any amount of coal-tar derivative, it will take this classification.

Are Goods Found to Be Faulty and Returned to the U.K. for Repair Subject to Duty on Re-entry?

If a machine does not come up to specification then ninety-nine per cent of the duty will be refunded if it is returned to Customs custody within ninety days for re-export to the U.K. If it is returned to the U.K. for repair, then if the duty has once been paid it will only be levied a second time on any additional parts or replacements. However, if the machine is modified, then it will have to pay duty a second time.

Must All Goods Be Marked With the Country of Origin Even Though They Are Very Small?

Yes, unless they are specifically or permissively exempted. In the latter case, the decision rests with the Collector of Customs, not the appraiser. On the whole, decisions have been lenient when small items are concerned. Often the labelling of a large group has been sufficient. Literature must be marked with the country of origin.

How Is the Agent's Commission Dealt With?

The commission paid to an agent operating in the U.S. is part of the selling price and so is included for duty purposes.

Are Goods Held Up as a Result of Delays in Appraisal?

Every month the appraiser has to report to the Bureau of Customs on any invoices which have been in his office for more than thirty days with an explanation of why the merchandise has not been examined and released within seventy-two hours. Where appraisal is very difficult the goods are not held but are released upon payment of the estimated duty and under security for any additional duties.

This is not entirely satisfactory and the procedure could be speeded up if manufacturers and exporters gave the fullest accurate information on their invoices and provided the importer with details in answer to any supplementary questions.

Is the Small Shop Doomed?

The following table is derived from the retail census of distribution for 1930, 1941 and 1951:

Relative Sales Positions of Independent, Chain and Department Stores 1930, 1941, and 1951

	All Stores			Independent Stores[1]		
Year	Number	Sales $'000	% Sales Are of Total	Number	Sales $'000	% Sales Are of Total
1930	125,003	2,755,570	100.0	116,379	1,896,627	68.8
1941	137,331	3,440,902	100.0	128,816	2,420,096	70.3
1951	151,626	10,652,780	100.0	142,883	7,966,907	74.8

	Chain Stores			Department Stores		
Year	Number	Sales $'000	% Sales Are of Total	Number	Sales $'000	% Sales Are of Total
1930	8,476	503,684	18.3	148	355,259	12.9
1941	8,011	643,000	18.7	504[2]	377,806	11.0
1951	8,094	1,775,744	16.7	649	910,129	8.5

[1] Includes two and three unit multiples.

[2] Includes mail order offices from 1941 onwards.

St. Lawrence Seaway — Political Mud Stream

Arthur D. Angel

Has Canada any real justification to be "looking seaward, well assured"? On the St. Lawrence Seaway, The Business Quarterly Volume VIII, 1941 contained Ross B. Willis' business-like study on its economics for Canadians; and Volume XVI, 1951, Dr. Pleva's more geographic approach to its probable effects on Canadian commercial patterns. Here Professor Angel presents the recent political background in the United States, hinting here and there, before his optimistic conclusion, at the need for statesmen, as described by Pope, "of soul sincere,

In action faithful, and in honour clear,
Who broke no promise, served no private end
Who gained no title, and who lost no friend".

MANY farsighted citizens of Canada and the United States have, for more than half a century, dreamed of constructing a deep draught Great Lakes-St. Lawrence Seaway. Others have perceived the practicability of utilizing the potential power of the mighty river whose flow is, due to the natural storage reservoirs of the Great Lakes, more uniform than that of any other great river in the world. Due in part to piecemeal exploitation of the transportation and power resources, a coordinate plan for their optimum use and development was not evolved until the 1920's, and it has always met with opposition of vested interests that did not stand to benefit directly or immediately from it. The great engineering President of the United States, Herbert Hoover, considered it one of the tragedies of his time that adoption of a coordinate plan for improvement of the transportation and power of the Great Lakes—St. Lawrence system was frustrated.[1]

[1]For a chronology of engineering surveys, economic studies and international negotiations pertaining to the Great Lakes-St. Lawrence channels, and actual construction undertaken in them, see "Report by the Legislative Reference Service. Library of Congress," by C. Frank Keyser, "Chronology of the St. Lawrence Seaway and Power Project." U.S. Senate Committee on Foreign Relations, *St. Lawrence Seaway and Power Project, Hearings,* 2-14, 82nd Cong., 2nd sess., 1952, hereafter cited as *1952 Senate Hearings.* With a water surface area of 95,170 square miles, the Great Lakes and their interconnecting channels drain a total area of nearly 300,000 square miles. Accordingly the St. Lawrence has a ratio of maximum to minimum flow of only 2.2:1. In comparison, the Columbia River has, at the Bonneville site, ratio of 33:1; and the Tennessee River has, at Wilson dam, a ratio of 115:1. This remarkably constant flow indicates that St. Lawrence power will need little supplementary steam power to meet the peak demands of winter months. See testimony of ex-President Herbert Hoover, U.S. Senate, Sub-Committee of the Committee on Foreign Relations, *St. Lawrence Seaway Project, Hearings,* 19, ff., 80th Cong. 1st sess., 1947, hereafter cited as *1947 Senate Hearings.*

Today, many people on the United States side of the boundary believe that the 83rd Congress has, by passing the Wiley-Dondero Act, accomplished through legistlation what the Coolidge, Hoover, Roosevelt and Truman administrations failed to do through treaty or executive agreement. Unfortunately, the legislation is not that comprehensive. When the misunderstanding, caused by the anti-seaway lobby in the United States and to some extent by overenthusiastic supporters of the project,[2] has finally cleared, the Wiley-Dondero Act may be regarded as a small but important step in the direction of eventually providing international cooperation in constructing deep draught navigation from the Atlantic ocean for 2,300 miles into the heart of the North American continent.

Canada Activated Legislation on the Project

Full credit should be given the present Canadian Ministry for taking steps which are likely, eventually, to lead to construction of the entire coordinate plan for developing the navigation and power resources of the Great Lakes-St. Lawrence Basin. By securing parliamentary passage, in December 1951, of the St. Lawrence Seaway Authority Act and its companion, the International Rapids Power Development Act, the Canadian government served notice that it was willing to construct a 27-foot, all-Canadian seaway from Lake Erie to Montreal, if the United States were willing to authorize some agency to cooperate with the Province of Ontario in constructing the power dams.

The following month, President Truman called the attention of Congress to the urgency of immediately approving the Great Lakes-St. Lawrence Basin Agreement if the United States were to share with Canada in the joint coordinate enterprise. Both the House Public Works Committee and the Senate Foreign Relations Committee again held hearings. Economic and political urgency was emphasized, but the joint resolution was, after six days of debate lasting from June 12 to 18, 1952, defeated on the floor of the Senate by a vote of 43 to 40. Meantime, officials of the administrative branches of the two governments met in Ottawa to discuss the all-Canadian plan, as a preliminary to their April 14 meeting in Washington. On the latter date, the Canadian Minister of External Affairs, Hon. Lester Pearson and the Minister of Transport, Hon. Lionel Chevrier, discussed with President Truman applications to the International Joint Commission for licenses to construct the power development.

[2]Almost entirely south of the U.S.-Canadian border, the opponents mobilized into a powerful lobby called the St. Lawrence Project Conference are composed chiefly of eastern railroad interests and their allies, the railroad brotherhood, allied coal interests and the U.M.W., privately-owned electric utility companies, and the eastern and southern port interests that conceive the St. Lawrence seaway as a threat to their well-being. These fears have been increased by the exaggerated claims of public electric power agencies and rural electric cooperatives for cheap power and the glowing pictures of ocean liners docking in the heart of the continent.

On June 30, 1952, the governments of Canada and the United States submitted concurrent applications to the International Joint Commission, in which Canada reiterated her intention to construct on the Canadian side of the International boundary a 27-foot seaway from Lake Erie to Montreal. The application of the United States and that of Canada were identical in describing the seaway to be constructed by Canada, as nearly as possible in coordination with the construction of power facilities by the Hydro-Electric Power Commission of Ontario and "an agency to be designated by the United States".

Surprisingly, neither application made any provision for an equitable allocation of costs of the facilities in the International Rapids that were designed for joint use of power generation and improvement of navigation. The United States Army, Chief of Engineers, Lt. General Lewis Pick had, on the basis of the December 1950 cost levels, estimated the cost of these facilities as indicated in the following table:

Works Common to Navigation and Power, International Rapids Section of the St. Lawrence River[3]

Channel Excavation	$ 71,867,000
Ice Cribs	1,170,000
Iroquois Dam and Dikes	20,432,000
Dikes	2,462,000
Massena Canal and Attached Dikes	6,663,000
Long Sault Dam, Diversion Cuts and Attached Dikes	32,533,000
New Cornwall Canal	14,431,000
Work at Lock 25	1,184,000
Railroad Relocation	6,489,000
Clearing Pool	722,000
Rehabilitation of Morrisburg	7,234,000
Rehabilitation of Iroquois	4,865,000
Acquisition of Lands	34,283,000
Highway Relocation	5,440,000
Raising Lock 21 and Dikes	254,000
Administrative Facilities	2,000,000
Power Distribution Facilities for Construction	444,000
Relocation of Transmission Lines	334,000
Total	$212,807,000

Repeatedly, Commissioner Roger B. McWorther called the attention of his colleagues on the International Joint Commission to the long-

[3] *1952 Senate Hearings*, 483, ff. Construction costs have risen more than 10 percent since 1950. On the other hand, if Canada were to construct her plan for an all-Canadian deep waterway, some of these items pertaining to rehabilitating the old 14-foot channel, would be eliminated. Moreover, the Canadian dollar has a greater buying power than the dollar of the United States, and Canadian labour costs are not so high.

standing policy both in the United States and in Canada, that costs of joint-use facilities in dual-purpose projects should be allocated equally for repayment from the revenues of the respective services. Leaving this important question to be decided after the 1952 presidential election in the United States, the majority of the Commission issued, on October 29, 1952, an order approving the project in terms that were nearly as vague and ambiguous on the question of costs as the applications were.[4].

When they drafted the Wiley-Dondeno Bill, the Midwestern steel and other industrialists[5]—likely to repay through tolls a large part of the costs of the seaway—saw in the ambiguity an opportunity to obtain for navigation a subsidy of more than $105,000,000 from the consumers of power. The U.S. Senate Committee on Foreign Relations and the House Committee on Public Works held, during the first session of the 83rd Congress, hearings on the legislation which was introduced in January 1953.[6]

Authorization for Construction of the Power Project

Before passage of the Wiley-Dondero Act, in May 1954, three vital steps were taken which cleared the way for construction of the power phases of the project, and accordingly for the possibility that Canada might construct an all-Canadian deep seaway. The Federal Power

[4]Long a friend of the Great Lakes-St. Lawrence Basin project, who served as an expert of the United States Federal Power Commission prior to his appointment to the International Joint Commission, Commissioner McWorther wrote a dissenting opinion, saying in part: "My dissent in this case stems principally from the possibility of such a grossly unwarranted imposition of financial burden upon all classes of power consumers on both sides of the international boundary . . . I especially desire that it be clearly understood that I do not want power development relieved of any cost which it should properly bear. Every dollar of construction cost properly chargeable to power development should be so charged; and likewise navigation should bear all of the costs properly chargeable thereto, including, of course, a reasonable share of the costs of facilities having joint value for navigation and power development." *S. Rept.* 441, 56, F., 83rd Cong., 1st sess.

[5]During the hearings, the Chairman of the Senate Foreign Relations Committee, Senator Alexander Wiley made the following statement: "I did not even put a word into the bill; it was the result of mature judgement of the business interests of Minnesota, Wisconsin, Michigan and the other states. That is how the bill came into being." U.S. Senate, Committee on Foreign Relations, *St. Lawrence Seaway, Hearings,* 494, 83rd Cong., 1st sess., hereafter cited as *1952 Senate Hearings.*

[6]Sec. 3 of S.B. 589, the so-called Wiley Bill, read as follows:
"*Provided*, that the corporation shall not proceed with the aforesaid construction unless and until . . . (b) the Corporation has received assurance satisfactory to it that the State of New York, or other entity designated by it, or other licensee of the Federal Power Commission, in conjunction with an appropriate agency in Canada, will construct and complete, as nearly as possible concurrently with the navigation works approved by the International Joint Commission in its order of October 29, 1952 (docket 68)." This wording, evading naming of the Power Authority of the State of New York, left the decision to President Eisenhower or the Federal Power Commission whether the American agency should be a private corporation or a public agency, which might turn the power over to the private electric utilities. Thus all issues relative to federal versus state development of the power, and the issue of public interests versus private profit were avoided, and the proposition of power carrying subsidy to navigation was made implicit. This wording remained unchanged, save that Sec. 3(b) became Sec. 3(a) in the Wiley-Dondero Act as it passed Congress and was signed by the President.

Commission issued, on July 10, 1953 an opinion and order rejecting the application of the privately-owned Public Power and Water Corporation of New Jersey to build the power project in cooperation with Canada; on the same date it approved the petition of the Power authority of the State of New York.

This order left no doubt that the Power Authority of New York and the Hydro-Electric Power Commission of Ontario were to assume all of the costs of facilities to be used jointly for improving navigation and generating power. As shown in the table above, these include more than $71,000,000 in channel excavation, plus the total costs of the dual-purpose dams, rights-of-ways to be flooded, clearing the reservoirs to be navigated, providing all dikes, relocating highways, railroad and utility lines, rehabilitating towns to be partially flooded, providing the seaway canal intakes, and providing all administrative grounds and buildings. In addition, the order requires the New York agency to furnish free of cost to the United States, power for operating and maintenance of the navigation facilities.

Spared the responsibility of deciding whether a private or a public corporation should be designated as the United States agency to co-operate with Canada, President Eisenhower issued, on November 4, 1953, an executive order citing the Boundary Waters Treaty of 1909 as his authority for designating the Power Authority of the State of New York to construct the facilities approved by the Federal Power Commission, and requiring the New York agency to make annual reports to the President. This executive order 10,500 also provided for the establishment of the United States section of the St. Lawrence River Joint Board of Engineers to pass upon the plans, specifications and construction schedules of this project for the United States.

The third hurdle, which people of Canada and other countries have difficulty in understanding, was that of judicial review, through which private interests might induce the judiciary to set aside the actions of legislative and executive branches of government, on judicially-interpreted grounds of unconstitutionality. Appeals, seeking to void the actions of the International Joint Commission, the Federal Power Commission and the President of the United States were promptly brought by the Lake Ontario Land Development and Beach Protection Association, the Public Power and Water Corporation of New Jersey, and the Central Pennsylvania Coal Producers Association. In its decision of January 29, 1954, the U.S. Court of Appeals for the District of Columbia maintained that the rights of the Lake Ontario beach-home property owners were adequately protected under the licenses of the New York Authority and denied that either of the other petitioners were deprived of property without due process of law. Even after acceptance of responsibilities included in the opinion and order of the F.P.C., the Power

Authority of the State of New York was not in a legal position to co-operate with the Hydro-Electric Power Commission, until the judiciary had acted.

Congress Approves the Seaway

With the foregoing assurance that the Power Authority of New York would construct and liquidate the costs of all of the United States' share of the power facilities and also the costs of facilities to be used jointly for navigation and power, reasonably valid debate on the Wiley-Dondero Bill was confined to the single issue of whether the most friendly ally of the United States should be required, by default of the United States, to construct this valuable and mutually beneficial national defense asset. (Although every officer and every government agency responsible for the defense of Canada and the United States has considered a deep waterway an asset to hemispheric defense, the St. Lawrence Project Conference has repeatedly mustered retired admirals or retired generals who maintained that two arteries for the supply of iron ore would be twice as hard to defend as one, and that Midwestern industry would therefore be more secure by relying on the Sault Ste. Marie as a single source of ore supply.)

Wisconsin's distinguished Senator, Alexander Wiley, considered the bill sponsored by him "a smart political move". But as usual the St. Lawrence Project Conference came forward with its self-contradictory campaign. In substance the opponents maintained on the one hand, that so little traffic would use the "Iceway" that it would inevitably become an inordinate burden to the American taxpayers; and on the other, that so much traffic would be diverted through it, as to bankrupt the railroads, to make ghost towns of the eastern and southern ports, and cause vast unemployment among the United Mine Workers. The Senate Committee Report found that these alleged fears were groundless; that neither of the opponents' extreme predictions was justified; that traffic surveys by the Canadian Department of Transport and surveys conducted independently by authorities of the United States indicated a tolls' revenue adequate to liquidate the cost allocable to navigation, within a 50-year period; that United States shippers would repay most of the costs, whether the tolls were collected by a Canadian agency or an international agency; that the seaway would be an invaluable asset in peace or war; and that it would be prudent policy for the United States to share in the construction, and accordingly have a voice in rate-making policies.

As amended in committee, the Wiley Bill passed the United States Senate on January 20, 1954. In the House it was referred to the Committee on Public Works, where the chairman, Representative George Dondero from Michigan, moved to substitute it for his own companionate bill on which the Committee had already held hearings. Passed

by the House of Representatives, with minor amendments later accepted by the Senate, the Wiley-Dondero Bill became Public Law 358, on May 13, 1954, when it was signed by President Eisenhower.

The Wiley-Dondero Act

The Wiley-Dondero Act created the St. Lawrence Seaway Development Corporation, to be managed by an Administrator with the assistance of a Deputy Administrator and advised by a five-member Advisory Board, all "to be appointed by the President, by and with the advice and consent of the Senate." The Corporation is authorized to finance its activities by selling to the United States Treasury not more than $105,000,000 in interest-bearing revenue bonds, to be retired in not more than 50 years from revenues derived from shipping tolls.

The Corporation may use these funds for construction of locks and channels on the American side of the International Rapids Section of the St. Lawrence and for further dredging the Thousand Islands section of the river, only after it has reached a construction agreement with the St. Lawrence Seaway Authority of Canada. It must first receive assurance that the Canadian Authority will coordinate its construction in the all-Canadian section of the St. Lawrence river with construction of the power and navigation facilities on the United States side of the International Rapids.

In the United States, Congressmen have long recognized and boasted that federal appropriations for navigation improvements enhance the value of adjacent property and accordingly improve the local tax base; and the Supreme Court has recognized this basic economic fact.[7] Yet Congress, in passing this act, required the St. Lawrence Seaway Development Corporation "to make payments to State and local governments in lieu of taxes upon property which was subject to State and local taxation before acquisition by the Corporation."

Although the Boundary Waters Treaty of 1909 requires that tolls, when charged, shall apply alike to ships of Canadian and United States registry, there was some feeling expressed in the hearings that an all-Canadian seaway administered by an all-Canadian Authority might make preferential rates for Canadian wheat and high rates on manufactured commodities, thus to the discrimination of the great manufacturing Midwest. This argument by the proponents was fallacious, because the bulk of Canadian manufacturing is located in the Province of Ontario, and high rates on manufactured goods would apply alike to the manufactured goods of Canada and the Midwestern United States, unless the tolls were collected only at the Welland Canal, thus favouring American as well as Canadian manufacturers on Lake Ontario — a remote and improbable possibility. Nevertheless, the authors of the law wrote into

[7]Miller v. U.S., 317 U.S., 369.

it a lengthy section requiring the usual administrative ratemaking procedure, which differs from Canadian ratemaking process, in its requirement for dilatory judicial review.

It has already been observed that the St. Lawrence Project Conference did everything in its power to prevent the F.P.C. from issuing a license to the Power Authority of New York for construction of the dams, without which Canada was powerless to construct a deep waterway; and that the most ludicrous cases were carried to the U.S. Court of Appeals in a final attempt to forestall. At the very same time, the spokesman for the Association of American Railroads was taking before Congress the position of "let Canada do it." The opposition even cited —out of context, of course—the following words of the Hon. C. D. Howe, Canadian Minister of Trade and Commerce, to give the appearance that the Canadian government did not want the United States to cooperate in the St. Lawrence enterprise:

> "Ownership by the United States of a very short section of a very long seaway would not only add to the overall construction cost, but would complicate problems of maintenance and operation of the canal system. It seems obvious to me that continued ownership and operation by one national authority presents the most efficient procedure."

While every word of the Canadian Minister's observation is true, Mr. Howe explained to the writer in September 1953, that his government "is first of all interested in seeing that the Seaway is completed with the least possible delay."

The New York Town Hall address of April 7, 1953, from which the seaway opponents quoted was entitled *Canada's Economic Future.* Its primary emphasis was on the economic soundness of Canada's unprecedented growth since World War II, thus making immediately necessary the optimum development of the navigation as well as the power resources of the entire Great Lakes-St. Lawrence system.

> In the same address, the Hon. C. D. Howe also declared:
> "There are critical channels between the upper lakes that will require deepening to twenty-seven feet at some stage. By assuming responsibility for such deepening, your country can assume a much more logical and valuable role by making twenty-seven-foot navigation possible throughout the upper lakes . . ."

In this connection, the legislation passed in 1951 by the Canadian Parliament and in 1954 by the United States Congress, together with the administrative actions discussed above provide for 27-foot navigation only into Lake Erie. Since the Great Lakes ports of Michigan, Indiana,

Illinois, Wisconsin and Minnesota would not benefit greatly, the congressmen from those states would not have supported the Wiley-Dondero Act, if splitting the legislation had not, in Senator Wiley's words, been "a smart political move".[8]

Legislation for Deepening Great Lakes Ports and Channels is Imminent

By the Rivers and Harbours Act of 1953, Congress authorized the United States Chief of Engineers to undertake the kind of diamond core drilling and test-pit digging that is usually authorized before the Corps of Engineers can advertise for construction bids for deepening the channels and harbours of the upper Great Lakes. The Detroit District Office of the Corps of Engineers is now engaged in preparing its feasibility report to present to the 84th Congress. And it is probable that the Rivers and Harbours Act of 1955 will authorize that construction.

Since rivers and harbours appropriations are normally non-reimbursable, the Wiley-Dondero Act was indeed "a smart political move": in the first place, because funds for channels and harbours of the Great Lakes will not have to be repaid from tolls; and in the second place, because legislation for final authorization will pass Congress much easier with the issues limited.

As long as the Great Lakes-St. Lawrence Seaway and Power Project was presented to Congress as a single package, the St. Lawrence Project Conference was inexorable. Today, it stands defeated, and falling apart. The privately-owned public utility companies that opposed public development of the St. Lawrence power will have no case against federal appropriations for channels and harbours that will strengthen and promote the interest of private industrialists in the Midwest.

The eastern and southern port interest, which ostensibly feared diversion of traffic through the St. Lawrence river, will have no case against the regular Rivers and Harbours Acts from which they themselves thrive. And the Lake Ontario property owners association, which claimed that regulating the level and outflow of Lake Ontario would be injurious to them, will have no reasonable cause for opposing the improvement of upper Great Lakes channels.

The United States Steel Corporation—which controls most of the remaining high grade iron ore reserves of the Lake Superior region, through its subsidiary the Oliver Mining Company—had no interest in

[8]In his letter to the author dated April 13, 1954, Senator Hubert Humphrey of Minnesota stated "We agreed to the separation of the channel deepening project from the St. Lawrence Seaway proper, as a way of helping the Seaway to pass Congress. Nevertheless, our objective remains to deepen the channels, so that we can obtain the benefits from the project, and we have every assurance that we will succeed in our efforts to do so."

seeing the seven independent Midwestern steel companies improve their competitive position within the industry, by transporting Labrador ore through the St. Lawrence Seaway;[9] but, U.S. Steel will have a definite interest in deepening the Great Lakes harbours and channels so that it may transport its Lake Superior ore to its own plants in larger and more efficient freighters.

Ever since the Iron Ore Company of Canada, organized by seven independent Midwestern steel companies and certain Canadian interests, found that Quebec and Labrador ore deposits are perhaps the greatest high-grade ore reserves on the North American continent, support for the seaway has increased.[10] Today the Great Lakes-St. Lawrence Association is one of the most powerful lobbies in the United States. It is working just as hard for deepening the harbours and interconnecting channels of the upper Great Lakes as it did for passage of the Wiley-Dondero Act.

So it is safe to close this exposition with the prediction that legislation for constructing a 27-foot seaway from Duluth to the Atlantic is imminent.

[9]See testimony of Benjamin F. Fairless, President U.S. Steel Corp., H. R. Committee of the Judiciary, Subcommittee on the Study of Monopoly Power, *Hearings on H.J.R. 271,* 188, ff., 81st Cong., 2nd sess., 1950.

[10]See testimony of George M. Humphrey, President of Iron Ore Co. of Canada, *1952 Senate Hearings,* 96-119.

Looking Ahead

The summer issue of The Business Quarterly will feature business' relations with the Canadian government, with articles based on original research by graduate students at the U.W.O. School of Business Administration.

In addition, we plan to include articles by J. N. Milne of Canadian General Electric on forecasting, by Vernon Lang of the Canadian Tourist Association on the outlook for Canada's tourist industry, and by J. Howie Mitchell of the British Ministry of Labour, recently in Canada as winner of a Nuffield Travelling Fellowship, on management training in Great Britain. There will also be the first of a series of profiles of leading Canadian businessmen—on J. R. White, President of Imperial Oil, Ltd.

French Merry-Go-Round

J. R. W. Gwynne-Timothy

Benjamin Franklin claimed that every educated man had two countries — his own and France. Whatever truth his assertion contains, it applies with peculiar aptness to Canadians. Our concern in matters French runs much deeper than an appreciation of our national heritage from "the fair land of France," or the memory of two world wars fought by her side — however keen the one or poignant the latter. Our concern derives, not merely from the realization that our national destiny has been intimately associated with France in the past, but that this association is vividly true today, and shows every prospect of being increasingly so in the future. Businessmen are interested, too, in possible markets, but these have become the playthings of politics. In this, the first of two articles on the new look in France, Dr. Gwynne-Timothy deals with the political merry-go-round.

IN an international world where worth is measured in power, Canadians are constantly confronted with evidences of French weakness. Some of the biggest news stories of the past year spotlighted France's reverses in war, diplomacy, imperial, and economic affairs. Are the constant swings of the French political pendulum the chief cause of these evidences of seeming weakness? It is virtually impossible to find a simple answer to this question. Undoubtedly, the failure of a strong, united France to emerge from the second world war is one of the underlying reasons for the Anglo-American decision to re-arm Western Germany.

Yet this failure is a paradox, for on the face of it there are many reasons why France should continue to be "la grande nation," even in this age of the super-state. France is big, France is rich. France has a historical tradition of nationalism and centralized power longer and greater than any other nation in the world, with the possible exception of England. France has a wealthy, industrious population. She has probably a better balance between rural and urban elements than any nation. France still possesses a great and wealthy colonial empire overseas. Even a most cursory consideration of French assets would indicate wealth and resources, both human and physical, which should place her

in the forefront of the world. Yet there are few who would deny that the French body politic is ailing.

93 Governments in 70 Years

The most striking feature of French affairs as seen from this side of the Atlantic is the political merry-go-round where new premiers and new governments appear with the distressing regularity of a metronome. The Third Republic endured from 1870 to 1940, and during its 70 years saw no less than ninety-three separate ministries; and the Fourth Republic, batting on much the same wicket, is thus far achieving the same scoring average. When Canadians reflect that the same period of time spans the careers of St. Laurent, Mackenzie King, Borden, Laurier and Macdonald, the French seem to them to display a fickleness hardly to be equalled even in Hollywood. Yet the paradox, in that land of paradoxes, is that French politics are nothing if not consistent. Indeed, one could argue that an overly tenacious consistency is one of the curses of French political life. As in all countries, historical experience has set the channels of political development; but in France recent historical experiences have been peculiarly harsh, and hence the past tends to colour the present to an extraordinary degree.

Broadly speaking, French political life may be divided, like Gaul, into three parts—right, centre, and left. Each of these broad divisions rests upon a deep experience in the national life. The division is not mathematically exact, for not only do the numbers of supporters fluctuate, but the centre can usually command up to one-half of the nation.

The Heirs of Strong Policies

The right is the heir of a great and glorious France, the France of St. Louis and Louis XIV, of the ancient alliance of altar and throne, of the days when France was "the eldest daughter of the church." It is also the heir of the strong France, with its matchless military tradition. Hence the right has traditionally stood for the Church and Crown, and for a strong independent policy for France. In the present century, with the replacement of dynastic and clerical by economic and social issues in the forefront of politics, the right has tended to be associated with Fascist tendencies or "strong" policies—the Action Francais, veterans organizations, the Croix de Feu, and such movements. The right has also been haunted by the communist menace, and hence has tended to support such leading anti-communist forces as Hitler's Germany and Franco's Spain. This tendency, with its implication of collaboration with the German conquerors, has damaged the present position of the right. On the other hand they have won much support from their desire

for a strong France independent of foreign leading strings, be they German or American.

The right today finds parliamentary expression through the R.P.F., the "Rally of the French People". The breadth of the term indicates not only its desire to achieve a broad, sweeping appeal, but also suggests its lack of disciplined party organization and of clearly defined political goals. Its foremost leader is General Charles de Gaulle. While certain elements of R.P.F. have supported or joined republican governments of the centre, the right as a whole does not support the Republic. This opposition to the democratic Republic varies from that of men, like de Gaulle, who would like to see little more than a constitutional change to give the President of the Republic the power and position his namesake enjoys in the United States, to those whose aim, it is darkly imputed, is some form of Fascist dictatorship. Spain, with its ecclesiastical and royalist tendencies, would doubtless set a more attractive example for France than Hitlerite Germany. But whatever the variety of "strong" government, there are important and powerful elements in French national life on the right who would like to see a form of government not consistent with the idea of political democracy as we know it.

Centre Conflicts and Confusions

The political centre is the child and heir of the French Revolution. It is the strong supporter of the democratic Republic. The centre is composed of many and conflicting elements. In its ranks are the bourgeoisie of France, the broad middle class, more conscious of their class and their interests than are their counterparts elsewhere. Attached also are wide sections of the peasantry. Standing apart from these groups in party organization, but supporting them in adherence to the democratic forms and to the Republic are those labouring classes who uphold socialist doctrines similar to British Labour or Canadian C.C.F.

The "centre", apart from its party divisions from Radical to Socialist which reflect the social divisions from bourgeoisie to labour, is further divided by religion. The M.R.P., for instance, represents those democratic socialist elements who accept both democracy and the Republic, but seek the political aims which every Roman Catholic considers just even in a secular state, such as Church influence in education. They are, therefore, broadly like the Christian Socialists in other European countries, but are sharply divided from their fellow democrats of the centre by the strong anti-clericalism of these other parties.

The Largest Communist Party in the World

If the political centre is the creation of the 18th century political

revolution, the political left is the child of the 19th century industrial revolution. In view of the restriction of party membership in communist countries, the French Communist party is the largest in the world; it is also much older than Russian Communism. The important political consequence derived from this fact, as well as other cultural causes, is that French Communism is strongly "Titoist". This tendency is at present subordinated in the struggle for power in France.

Despite repeated attempts to win rural support, French Communism draws its strength from the urban areas of the country. When the industrial revolution came to France, more than a full generation after England, the French working classes suffered to the full the familiar plight endured by "darkest England". The chief reason for the size and power of the French Communist party is the blunt fact that the lot of the working classes in the country has not kept pace with that of other Western nations.

An American would claim that this tragic state of affairs is due to the failure of French big business to perceive its own best long-run interests and to institute economic reforms. A Briton would argue that it is the French Republic and its bourgeois supporters who have failed to meet their political responsibilities and introduce all the paraphernalia of the welfare state. Either way the French working classes feel that they have not received their just share of the national cake. And they have been disillusioned for so long, that they seek their own remedy by direct action outside the democratic parliamentary sphere. Consequently, France faces the possibility of a communist revolution and proletarian dictatorship of the left.

Politicians' Triumph Over Statesmen

Thus the underlying pattern of French political life is distressingly clear. France carries within herself the roots of the three forms of government which dominate the twentieth century: a dictatorship of the right, to which we would give the term fascist; a democratic Republic of the centre, torn by its own internecine strife but held together by fear of its flanks; and a dictatorship of the left, which would certainly be communist and disastrous for France's allies.

When one reflects that the struggle of these three political ideologies throughout the world has taken on the ferocity and fanaticism of religious war, one can appreciate the stresses to which the French body politic is subjected. The wonder is not that French politics seems so volatile and unstable, but rather that a democratic republic has endured for eighty-five years.

If the function of parliamentary democracy is to reflect and give expression to the political forces within a nation, then the French parliament is possibly the most successful body of this kind in the world. If, however, its function is to provide something more positive, to offer the "good life", or to lead its people "along a broad, smooth caseway of peace and plenty, instead of roaming and peering around the rim of hell", as Sir Winston Churchill recently expressed it, French democracy has not been so successful. Can French democracy discharge this task? The answer, if there is one, is to be found in a consideration of the economic problems and policies of the French nation, contained in a concluding article.

Invoke N.A.T.O. to Defend G.A.T.T?

The General Agreement on Trade and Tariffs (G.A.T.T.), the basis of Canada's foreign economic policy, was signed in Geneva by eighteen countries on October 30, 1947. It was brought into force provisionally on January 1, 1948 to last only until the birth of the International Trade Organization (I.T.O.), agreed to in Havana on March 24, 1948 by more than fifty nations, ratified unconditionally only by Liberia and declared dead by U.S.A. at Torquay in 1951. Being only an agreement and not a formal treaty, G.A.T.T. did not require ratification by governments to become operative.

Negotiations for G.A.T.T.'s continued life have been going on in Geneva since November 1954. Ringleader there in defending tariffs and other protective devices and in recommending a general debasement of G.A.T.T.'s rules was French Premier Edgar Faure while Mendès-France's Finance Minister. Furthermore, the U.S. Congress has been promised that on this occasion it will have a power of veto. If Congress vetoes G.A.T.T. the United States and France still remain bound by the North Atlantic Treaty, Article 2, which reads:

> "The parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them."

21 Years—Hard Labour

H. A. Logan

In February at Miami the A.F.L. and the C.I.O. agreed to merge. Does Canada face a single united labour union representing all Canadian workmen? Dr. Logan here highlights the chief developments in Canadian unionism during the past 21 years. 1933 is not a year that most Canadian trade unionists would have selected to introduce the outsider to the record of their achievements. A glance at the curve of membership suggests that organized labour had reached its nadir. A half century of growth had stopped with 1920 and since then numbers had dropped by half. Expansion into new areas of manufacturing, lumbering and mining associated with war prosperity had been abandoned. The labour movement did, however, have a heritage in structure, tradition and attitudes developed out of the experiences through which it had passed. Therefore in order that the reader may understand and appreciate the present behaviour of the unions—what they value, whom they trust, how they react to situations—his article also sketches in some features of that earlier background.

The Structural Heritage as of 1933

(1) The Internationals

CANADA'S labour unions in the 1930's were mostly included in three congresses, the Trades and Labour Congress of Canada (T.L.C.), the All-Canadian Congress of Labour and The Federation of Catholic Workers of Canada. The first had its beginning in 1886 as did also the American Federation of Labor (A.F. of L.). In the present century it had usually held in affiliation upwards of half the total trade union membership. The Canadian branches of its unions looked to it for their legislative expression and sent their delegates to its annual conventions for that purpose, while the American branches of many of the same unions looked to the A.F. of L.

The unions operating through these congresses had steadfastly refused to take direct political action through organizing a Labour Party as did the unions of Great Britain, although at times there were attempts by vigorous minorities in the Canadian Congress to do this. They chose instead to express at their conventions labour's most cherished demands and to present these indirectly to the cabinet of whatever government was in power. Secondly, these individual unions such as the United Brotherhood of Carpenters and Joiners and the International Associa-

tion of Machinists were predominantly of craftsmen, had their headquarters in the United States where lived an average 95 per cent of their members. At their own great conventions held usually in the United States, but occasionally in Toronto or Montreal, Canadian branches were represented by delegates numbered according to membership, and, between conventions, headquarters policies were interpreted to the whole Canadian Section of each union by an "International Representative" or "Roadman" popularly elected (usually) by vote of the whole convention, after nomination (usually) by the Canadian delegates. These International Representatives were responsible, among other matters, for planning and carrying out the organization of new areas, or reclaiming old ones, and channeling for the support of such purposes funds accumulated at headquarters from dues collected from the whole continent-wide constituency. Theirs also was the responsibility for watching over and assisting the local officer with the general course of collective bargaining, ensuring the standards for agreements prescribed by the international's constitution were not undermined, the evidence of their satisfaction in some cases requiring expression through their signature on the agreement. Failure to elicit such satisfaction might deprive a local of headquarters' support in case of a strike.

Such was in 1933 the general picture of A.F. of L. international unionism in Canada; its legislative activity was ostensibly confined only to the Canadian section, while its organizing, bargaining, and stoppage activities were operated with little attention to the international boundary but followed the far-flung organization of the International.

One other factor ought to be mentioned since it has affected the structure of both Canadian and U.S. unions. This was the "no dual union" policy which had been operated from their beginnings in the 1880's by both the A.F. of L. and the T.L.C. Essentially this meant that no organization could be admitted to the T.L.C. if its jurisdiction conflicted with that of an international or national union already affiliated. As practiced, it put a high premium on priority and sometimes enabled relatively ineffective organizations to keep younger and more vital bodies from adequate legislative expression and other advantages dependent upon association with the larger movement.

(2) The All-Canadian Congress of Labour

This was a younger and a lesser body embracing various secessionist and radical groups but largely dominated and steadied by the powerful Canadian Brotherhood of Railway Employees led by President A. R. Mosher and General-Secretary M. M. MacLean. (The C.B.R.E. had itself been ousted from the older Congress on the "no dual union" policy in 1921 for reason of its competing in jurisdiction with the A.F. of L. international now headed by Frank Hall.) The young Congress was destined to weakness from the outset because of the incompatibility of

its elements, but nonetheless important on account of its structure, the policy for which it stood and its part in later congressional developments. Organizationally it favoured industrial rather than craft unionism, opposed the "no dual union" doctrine and stressed direct responsibility by the Congress for organization. It inherited from an older organization, the Canadian Federation of Labour, which is absorbed, a belief in pure Canadian unionism and throughout the whole thirteen years of its existence preached this through its official organ, *The Canadian Unionist.* The minutes of its first convention in 1927 indicate that its experienced leaders had high hopes of giving new meaning to a national Canadian labour movement. Functionally it disagreed with T.L.C. in that it stressed the importance of working-class political action but in practice did its best work in influencing legislation after the manner of the older Congress.

The Heritage in Social Philosophy and in Policy Emphasis

The central strand in the philosophy and outlook of the internationalist following in Canada was shared with their American collaborators in the A. F. of L. and derives from a common source — the creative genius of Samuel Gompers, cigar-maker, student of unionism, and life-long president of the A. F. of L., assisted in thought and action by a group who wrought and grew old with him in meeting the problems of early unionism. Thus qualified, the assertion stands that Gompers was, and has continued to be, the real leader of conservative international business unionism in both the United States and Canada. Besides being a persistent and self-sacrificing worker for a cause which he loved, he was a keen student of fundamentals. Opposing the Knights of Labour (who found the significant line of division between *those who produced goods and services and those who produced nothing* and sought to implement this distinction by alliances with farmers, by organizing producers' cooperatives and using politics to defeat the bankers, etc.), Gompers argued that the real division was between employer and employed, capitalist and worker. In this division lay the basis of the natural *conflict of interest.* Plagued by the radicals who threatened to ruin his cigar-makers union, he dismissed Marxian socialism with its *conflict of classes* as unrealistic and out of line with the western way of life and thought. But the employer vs. employed dichotomy he found to be real, pertinent and persistent in Western capitalistic society, a society which he accepted as a fact. This conflict of interest pointed naturally to collective bargaining as the essential policy and to the need for workers to organize themselves over wide areas in the manner most effective for bargaining.

Following this principle the Canadian unions (mainly internationals) had a fair achievement to their credit as they emerged from the first world war. In the building trades the various craft locals had standardized agreements with the contractors; the clothing industry locals grouped

into Joint Boards to bargain with the local Employers Associations; similarly, the locals of the five internationals in the printing trades bargained locally with newspapers and job printing firms; in railways the federated shop crafts bargained nationally as a group with the Canadian Railway Association while the "running trades" bargained separately; in coal mining the workers organized by industry bargained regionally; a similar basis of agreements was developing in the pulp and paper industry.

The Heritage of Defeat

But here for a time their progress was to stop. The twenties were a period of failure. The reasons were partly economic, the drop in prices, the depression of 1920-22, the cut back in production by war-expanded industries; and partly non-economic the obsolescent union forms, the determined opposition of the employers and the conservatism of the United States judiciary. Committed to move with the Americans through interlocking structure and acceptance of Gomperism, the Canadians were to share their misfortunes in peace even as they had expanded with them in war. They were destined to see the open shop drive of the railway companies break the A.F. of L. strength in the U.S. railway car shops during the great strike of 1922; the mine operators with the help of a federal court injunction unhorse John L. Lewis in the central coal fields; the United States Steel Corporation defeat the poorly co-ordinated A. F. of L. craft union effort to re-establish the Amalgamated Association of Iron, Steel and Tin Workers in the steel mills; and the big Packers turn back the butchers' union in Chicago. Financially drained at centre the unions became listless at the periphery. The Amalgamated Association of Iron and Steel lost at Sydney and Algoma, giving place to employee representation. In the railway shops the Canadian unions did not strike but weakly accepted a conciliation board award unfavourable to their demands. In the coal mines and machine shops there were wage reductions, dissatisfaction, defeats, and heavy secessions to the radicals, first to the One Big Union of the West and later to the Communists. Otherwise the movement became less militant in its bargaining, made little effort to expand into new industrial areas and sagged into the thirties with further loss in numbers.

Trade Union Use of the State

But there was a second strand which, with the softening of self-reliant individualism, was coming to ease the dependence on pure bargaining. It had its origins in the common man's belief in the merits of political democracy and developed in relation to the growing importance of the state in economic matters during the war and in the peace that followed. Before the Franklin D. Roosevelt era it showed more persistently in the Canadian congresses than south of the line, partly because of the American sections' unhappy experiences with the United States courts, and partly because of the Canadians' easier access to responsible government leaders. It was stimulated by the rise to power of the Labour

Party in Britain and, after 1919, by Canada's participation in the International Labour Organization at Geneva.

While President Tom Moore and Secretary P. M. Draper, who together led T.L.C. for a quarter of a century, consistently battled against direct political action, they were ardent advocates of labour legislation by the indirect, pressure group method. They did not share Gompers' narrow view of the role of the state in labour matters. Under their lead the T.L.C. in the decade preceding 1930 participated actively in achieving minimum wage legislation and workmen's compensation from the provincial governments and an old age pension act from the Dominion.

The Depressed Thirties

The depressed 1930's, with many unemployed, were a poor time for unions to rely mainly on collective bargaining. Both Canadian Congresses made no excuses for looking to other means for bettering the plight of their members and that of all workers. The T.L.C. had in fact turned to the Government earlier; in 1918 it had supported legislation creating the provincially administered public labour exchanges; and, in the depression of the early twenties, stimulated and instructed by the contact of its leaders with the newly created I.L.O., it had presented the Dominion Cabinet with a full remedial programme for unemployment which embraced public works, the purchase of public supplies during periods of depression, the building of workmen's houses, and a system of unemployment insurance with a state administered Fund.

The readiness of the Liberal Government to treat unemployment as chiefly seasonal and not beyond the ability of the municipalities and the provinces (together with the finding of its Department of Justice in 1929 that under the constitution unemployment insurance legislation was not within the competence of the Dominion), led the Congress to turn against the Liberals and build its hopes on the opposition. In 1930 the Congress called again for unemployment insurance and 1931 found it waiting on the Conservative Government of R. B. Bennett, like labour itself, more positive in its attitudes toward reform and impatient of constitutional handicaps. The record reveals Congress' representatives commending the Conservative administration for the vigorous handling of relief works, restrictions on immigration, and application of the 8-hour day to government jobs.

The Congress' concern was that the unemployed should have work to do, and it pressed this need upon the various governments.. Nevertheless, it appears to have thought of government works chiefly as emergency measures. It looked, with Mr. Bennett, to higher tariff protection for selected industries, which, restrained from raising their prices, would create more employment and thus provide a long term solution. In 1933 we find the Congress arguing that tariff protection "was a form of national subsidy and therefore industries benefiting from it should

give preference in employment to residents of Canada and be subject to control in respect to hours of labour, payment of fair wages, prevention of watering of stock and the charging of unreasonable prices to the public."[1]

Another demand, one of the most persistent for dealing with future as well as temporary employment, was for the shorter week. Forty-eight hour demands were not enough. "The situation called for a greater reduction — in fact a continuing one — related to the changing technology that caused production to outrun the market. And Government should give a lead with the five-day thirty hour week."[2] But unemployment insurance (accompanied by a truly national system of employment exchanges) remained a central ambition, and only in 1940, after twenty years of striving, was it to come, the sole achievement of the long campaign against unemployment. It was to come, too, at the hands of the Liberals five years after the Bennett legislation had been declared ultra vires by the highest court and his tariff policies had been repudiated by the nation.

Industrial Unionism and the Canadian Congress of Labour

In the mid thirties, new industrial unions invaded the mass manufacturing industries in the United States and soon made their appearance in Canada. The Steel Workers Organizing Committee began at Sydney, N.S., in 1936, and was soon busy in Toronto and at Algoma. The United Auto Workers entered Ontario in 1937, the United Electrical Workers, and the Rubber and Packinghouse Workers Organizing Committees shortly thereafter. But the reception everywhere was hostile and recognition generally denied. No significant contracts were gained in steel until 1940. General Motors at Oshawa rebuffed the U.A.W., though it conceded recognition and wage improvement in an agreement with officers of the local, a compromise pattern that was copied elsewhere in that industry. Ontario's coldshouldering of the C.I.O. was effectively supported by the personal intervention of Premier Hepburn, a course of action contrasting strongly with U.S. federal government behaviour. Employers' resistance, thus supported, effectively blocked the new industrial unions at the time.

The competitive struggle between the old and the new union types, though delayed in Canada, had to be re-enacted here. Certain craft unions in the T.L.C. were successful in ousting the industrial unions from the Congress in 1939. The move, however, proved a boon to Canadian unionism. The banished unions joined with the All-Canadian Congress to form a second Canadian International Congress in 1940. Unencumbered by a preference for craft unions and unrestricted to first-comers by the "no dual union" doctrine, the second Canadian Congress of Labour

[1]Quoted in H. A. Logan, *Trade Unions in Canada* (Toronto, 1948), p. 478.

[2]See *ibid.*, p. 480, noting author's comment.

was ready to introduce a type of unionism better adapted for the work in Canada.

Successful leadership in the trade union world is only partly a matter of individual competence. It is more often a matter of several leaders cooperating closely over a period. It was so with the famous "Junta" in Britain in the 1860's and 1870's. It was so with Gompers and his craft union lieutenants a few decades later. The same was now to be repeated with the leaders in the freshly created Canadian Congress of Labour. Some of them had felt cramped and frustrated while still operating with the T.L.C. Most of them at one time or another had been expelled from that body for no crime other than creative ambition. Freed now from restraints and with an open field they moved to their task on a basis of industrial unionism in a Congress, loosely associated with the C.I.O. in the United States, which brought together Messrs. Maclean and Mosher of the Canadian Brotherhood of Railway Employees, Pat Conroy and Silby Barrett of the Mine Workers, Charles Millard and George Burt of Steel and Auto Workers, Sol Spivak and Alex McAuslane of Clothing and Oil Workers, Fred Dowling of Packinghouse, and Clarence Jackson and Robert Carlin of Electrical Goods and Mine-Mill-Smelter Workers. Although badly shaken after the war by the defection to communism of these last two, this group gave a fine exhibit of cooperation over most of a decade. Whereas their accomplishments as leaders of separate unions in the thirties had been so few, acting together they were now able to achieve much.

Although much attention has been given to this Congress' more positive political programme, the core of its accomplishment has been in organizing the mass manufacturing industries, in lumbering and in mining. Membership, estimated at 100,000 in 1940, increased by 1946 to 314,025. During 1943-44 it had 20 organizers in the field on full or near-full time. Campaigning throughout the country on a scale hitherto impossible was supported by means of a "Special Organizing Fund" to which individual internationals, nationals, and even directly chartered locals contributed generously with gifts ranging from $5,000 downward. Complete direction of organization was entrusted to Pat Conroy, a young Scottish miner from Alberta, who from the beginning had been Secretary and paid officer of the Congress. This organization drive represents the high point in Canadian expansion.

Strength through collaboration was evident in the support provided the strikers at Ford of Canada in 1945, and in the timing and distribution of wage stoppages in 1946 centred in the struggle at Steel Company of Canada. Later, cooperation lessened. A changed communist strategy caused grievous disruption, splitting off two unions and sadly dividing a third; and recent jurisdictional questions associated with the status of the Congress in direct chartering of locals, and also its right to challenge the authority of affiliated internationals in their internal functioning by

refusing to accept changes in the personnel of their Canadian leaders, brought temporary division and lowered vitality.

The Forties and Compulsory Bargaining

The main purpose of organization is collective bargaining. Today the former is usually looked upon as a prelude to the latter. In the forties, non-recognition by employers and refusal to bargain were continued, but the sellers' labour market of 1941 and after, combined with the improved organizing attack, quickly increased union membership. Nevertheless, the persistent refusal of many — some of them the strongest firms — to recognize and bargain led labour to believe that with the return of peace there would be a return to strong open shop tactics as after World War I. Pressure for legislation (note the use of the state again) declaring the right to organize, and requiring recognition by the employer of the union having a majority of workers in his plant, brought in 1944 the desired order-in-council which in peace was succeeded by the present permament legislation. Assisted by this legislation, trade union membership rose further from 358,000 in 1939 to 1,219,000 in 1952.

Operating within the framework of this legislation both parties are obliged to negotiate in good faith, to refrain from initiating stoppages during defined negotiating periods and during the life of an agreement. Also, each party is protected against unfair practices by the other. The legislation professed intentions directed to their mutual advantage; but it was organized labour that made the struggle for it, chiefly in the interest of extending the area of collective bargaining. Today, however, after ten years experience, it is unions rather than employers that are criticizing important phases of its functioning.

Collective Agreements

Only the merest reference is possible to gains registered in collective agreements.[1] The duration of some agreements has been lengthened to as long as five years. This suggests new stability in industrial relations.

The basic wage has risen in primary steel from \$0.37½ per hour in 1939 to \$1.48 in 1954; from \$1.35 in 1930 to \$1.00 in 1939 to \$2.41 in 1954 for bricklayers (Toronto); from \$0.45 in 1938 to \$1.75 in 1954 for machinists. Since 1941 the wages in many industries have been tied to increases in the cost of living, and, in a smaller number, to a pre-arranged annual advance of 3 or 4 per cent to keep pace with the rising value productivity per worker.

The 5-day 40-hour week has become standard in most major industries, instead of the 48 hours worked in the steel industry of the early forties and the 44 hours in men's clothing. In the majority of organized textile mills a 45-hour week has taken the place of the 55 hours in the

[1] A detailed analysis of agreements of a decade ago is found in *Trade Union Agreements in Canada* (Queen's University, Industrial Relations Section, Bulletin No. 6); a later statement of the historical achievement in various industries in H. A. Logan, *Trade Unions in Canada*, Chs. 7-12, 23.

mills before the war. The building trades remain at 40 hours begun in the depression in 1930.

Seniority or share-the-work provisions for slack periods have been developed in detail in most agreements.

In union security, cause of some of the bitterest battles, the unions have scored gains in a general acceptance of voluntary check-off conditions (the most recent victory being the railways), an increase in union shop though not in closed shop agreements, and a wide application of the Rand Formula (a purely Canadian device dating from the 1945 strike at Ford, involving denial of the union shop but requiring dues payments by non-union as well as union members).

During the last five years, so-called "fringe benefits" such as longer vacations with pay, more acknowledged holidays, differential pay for night shift, etc., have been won; also, pensions on retirement and welfare provisions.

The outstanding feature which distinguishes the modern agreement from that of twenty years ago is the provision for participation in its administration by union representatives elected from among the shop employees. The shop steward and the shop committee, acting with their opposites the company foremen and superintendents, are thus on the job throughout the year. This makes the union something more than an institution for strengthening negotiation through directed bargaining power; it becomes an agency of administration. The Labour Relations Legislation of 1948 encourages this by forbidding stoppages during the period of an agreement and requiring stubborn grievances to be carried up the two-sided hierarchy if necessary to arbitration. This has also closed the road to many strikes.

Concerning a Broader Purpose

With due respect to the accomplishments of Gomperian bargaining, one feels that labour's industrial jurisdiction, as well as its corresponding responsibility, is due for a fundamental broadening, preferably outside the Gomperian clash of interest area. The same may be true of its relations with government. Collective bargaining is a confining instrument, especially when wedged within the controls and assisting services of our Labour Relations Acts. The future calls for labour to experience a live interest in the production process and achievement. The Labour Management Production Committees fostered by the Federal Government during and since the War seem too limited in jurisdiction and unlikely to challenge the mind and ambition of the union movement. The Union-Management Cooperation movement of the twenties in the railway shops, clothing and printing industries, failed to expand but carried the germs of a practical idea. The same can be said of the recent "Scanlon Plan" in the United States. We can expect for labour in the future, therefore, not only an in-plant responsibility where union research men would have a unique laboratory through personal observation and close association with

workers, shop stewards and foremen, but beyond into the exploration of resources and markets for the products of their particular industries, and still further into the study of the larger economy, its needs, and the effects of union decisions upon it.

Regarding government, when in the War, following the pattern initiated in Great Britain, the unions asked for representation in important matters, they insisted it should involve more than serving on advisory boards and commissions: they wanted a hand in policy making. This they gained in a measure during the emergency, along with the organized employers, through consultations and hearings, and administratively through appointments to National and Regional War Labour Boards, which were responsible at that time for wage control, and to the more permament Dominion and Provincial Labour Relations Boards for certifying labour's chosen representatives for collective bargaining and enforcing the unfair practices' prohibitions of that legislation. These, added to the appointments to the Unemployment Insurance Commission and the I.L.O., and to the provincial Workmen's Compensation and Minimum Wage Boards, make an impressive array. They present an opportunity for important decisions and are a defense against abuses of legislation already gained.

But the unions are still outside government in respect both to new legislation and to administration (beyond the above-listed recently-won fields). In the present near-emergency of unemployment (as in that of 1949), though a million and a quarter strong, the unions lacked any constructive partnership with industry and any effective representation in the policy-making councils of government. They had nothing more to offer today than twenty years ago, viz., to shout advice to the government, cry helplessly for it to come to the workers' rescue, and to blame the employers for having over-produced the market.

Organized labour's present plans for the role to be played by the state in 1955, with unemployed thousands beyond the reach of collective bargaining, are once again the demand for social insurance — more of it, without unrecompensed waiting period, more supplementary benefits supported wholly by taxation, government works presumably already planned, with wages at standard rates to maintain purchasing power.

Are You Selling to Canada's Older Folks?

So much advertising is directed to the younger set. Yet it is often the older folks who have a greater spending power. Is this a case of Canada taking a wrong lead from the U.S.A., where this older group dies off more quickly?

In 1950 death rates for white males aged 45-64 were:

U.S.A.	15.5 per 1,000	Canada	12.9 per 1,000
England	14.5 per 1,000	Norway	8.9 per 1,000

Book Reviews

THE 20TH CENTURY CAPITALIST REVOLUTION

by A. A. Berle, Jr. Harcourt Brace and Company, New York 17, New York. 192 pp. $3.50.

To the person who has not "taken the time" to contemplate the political status of the modern corporation the thoughts contained in this book may well be shocking. From the society of the classical economist where there existed many small and independent competitors there has developed a state where effective competition exists within organizations (for example the different kinds of automobiles produced by a large manufacturer), where whole industries have asked for and obtained from government regulatory legislation, and where individual corporations without official sanction from sovereign states have divided the world into market areas for their own convenience.

Few text books fail to list as one of the chief advantages of the corporate form of business (one of the best recognized characteristics of 20th century capitalism) the greater scope such organizations have for seeking capital from outsiders. Yet studies of the sources of capital in the United States since the war indicate that over 60% has come from "internal sources" being (for all practical purposes) earnings before depreciation and depletion. Of the total funds raised probably not as much as 4% came from the sale of common stock Thus the judgment of the public (represented by the buyers of securities and their advisors —the capitalists who provided the funds in the hope of making large profits) has to a large extent been replaced by the conscience of corporate management "There is substantial evidence . . . that this is representative of the real pattern of the 20th century capitalism. The capital is there and so is capitalism. The waning factor is the capitalist."

Mr. Berle's book is not long. It is easily read. The foregoing paragraphs are meant to be provocative, they are not meant to be synoptic. Not all readers will agree with the author's analysis; some may even object to his acknowledgment that corporate powers are held in trust for the entire community rather than for the shareholders. However, few in this reviewer's opinion will be able to put the book down without having to admit (if only to themselves) that it startled them. The last two paragraphs in the book are quoted in an attempt to illustrate the broad implications of the 20th century capitalist revolution.

"We have noted that priests have usually been able to intimidate the policeman, and that philosophers can usually check the politicians. There is various historical ground to anticipate that moral and intellectual leadership will appear capable of balancing our Frankenstein (the modern corporation) of creations. Men working in that range are measurably steeled to resist normal pressures and often free from normal fears. They frequently have a rough time on the way. It is no accident that some of the greatest saints in the Christian calendar were non-conformist deviants in their time; but they still grasp a future with their conceptions.

"These, I think, are the real builders of any "City of God" Americans would come to accept. Corporations cannot make them. Corporate managements, like others, knowingly or unknowingly, are constrained to work within a frame of surrounding conceptions which in time impose themselves. The price of failure to understand and observe them is decay of the corporation itself. Such conceptions emerge in time as law. It may be said of the corporation as old Bracton said of the Crown: "There is no King where the will and not the law prevails."

REALISTIC DEPRECIATION POLICY

by George Terborgh. Machinery and Allied Products Institute, 120 South LaSalle Street, Chicago 3. 197 pp. $6.00.

This book is not for the casual reader. However, in order to stimulate the interest of the "common man" who has listened to and engaged in technical arguments on the relative merits of different methods of depreciation the following two sentences from the concluding paragraph to the chapter on "Reform of Tax Depreciation — Write-offs and Accounting Methods" are quoted. "The conclusion emerging from this discussion is by now obvious . . . double rate, declining balance, depreciation (the kind which the Canadian Government inserted into taxation calculations just a few years ago) appears to be the best practical remedy for the lags inherent in present methods . . . It is simple to operate, can be used with all types of depreciation accounts, and, subject to some difficulty in one case only, (the use of item accounting with open end accounts) can be applied by either group or item accounting rules".

From both theoretical and empirical evidence Mr. Terborgh concludes that in the case of capital equipment "something like" one half of the cost should be written off in the first third of its service life. In the case of plant (buildings and structures) he concludes from theoretical evidence (no satisfactory empirical evidence being available) that well over 60% of the cost should be written off over the first half of its service life.

The book is recommended to all seriously interested in the subject of depreciation. It will require concentrated study—in places the going will be rough—but the rewards to the person (with ordinary intelligence and a knowledge of simple arithmetic) who accomplishes the task should be well worth the effort.

—James C. Taylor, Professor
U.W.O. School of Business Administration

COMPETITION AND ITS REGULATION

by A. G. Papandreou and J. T. Wheeler. Prentice-Hall, Inc., New York. 504 pp. $8.65.

Although a great deal has been written on the behaviour and legal regulation of business firms in the American economy, Messrs. Papandreou and Wheeler have added a volume to the list for the purpose of relating economic analysis to institutional description and legal interpretation. The volume is divided into two books. The first, entitled Competition, is a theoretical analysis of the behaviour of firms in a free enterprise economy; the second, Regulation of Competition, deals with the attempts to control competition in the United States by means of legislation and court action. In Book I, the authors describe the conditions necessary to the maintenance of *qualified* free, or workable, competition. In Book II, they attempt to evaluate anti-trust legislation as a method of maintaining workable competition.

In their theoretical analysis, Messrs. Papandreou and Wheeler describe the "power relations" which develop in a market. Power relations between two sellers are analyzed in terms of substitutability of product and cross demand schedules. Three different types of market relations are distinguished: *atomistic,* in which a change of price by one firm has no effect on other firms selling a similar product; *circular,* wherein a price change by one firm will cause retaliation by other firms; *dominant,* a one-way relationship whereby a change in price policy by a particular firm can affect other firms but they, acting individually, are incapable of making a counter-move. These considerations are extended to market groups, or more accurately, market *sub-groups.* Relations between sub-groups may be atomistic or circular. In addition, there is the case of the *unique firm* whose relations with other firms may be either circular or dominant. A single large department store in an isolated community might stand in a circular or dominant relation with smaller concerns selling a special line of goods. The nature of the relationship would depend upon the extent to which the department store shared the market with the smaller business units.

Assuming that each firm attempts to maximize its profits, the

authors proceed to show how this end may be attained. In addition to making use of the break-even chart, they carry out the analysis in terms of price policy, production costs, selling costs, and type of product.

An analysis of a firm's behaviour involves not only a consideration of variations in price, selling costs and product type, but also those moves which must be made by the firm if it is to meet successfully threats from within and without its own sub-group. "The selection of price, selling outlay and product type are usually subordinate to the broader decisions which affect the over-all direction of the firm in its struggle for survival." (p. 183)

Having analyzed firm behaviour, the authors develop criteria for public policy. The essence of the policy seems to be *the maintenance of workable competition.* The term workable competition does not mean "perfectly" free competition. The latter presupposes many firms of small size. The former allows for growth in size of the firm provided it is based on technical efficiency. To limit this type of growth by legal decree is to interfere with the competitive process. Growth in firm size is permissable and desirable provided that it does not impose a substantial threat to the freedom of entrance or provided that it is fully justified on grounds of technical efficiency." (p. 193). Removing threats to freedom of entry and permitting growth in size based on technical efficiency are the prime considerations in the writers' criteria of public policy.

In Book II, Messrs. Papandreou and Wheeler examine American anti-trust law as interpreted and enforced with a view to determining how effective it has been in maintaining workable competition. This portion of the volume contains lengthy quotations from judicial decisions. It deals with such problems as the development of horizontal and vertical coalitions, firm size, monopoly, unfair competition, tying agreements, price discrimination, and resale price maintenance. In general anti-trust legislation has been instrumental in maintaining workable competition. One notable exception, among others, is found in the case of resale price maintenance. "The price discrimination provision of the Clayton Act (as amended by the Robinson-Patman Act) has given formal status to the dangerous notion that injury to a competitor is undesirable. It should never be forgotten that competition implies injury . . . It makes sense, therefore, that the Robinson-Patman Act be repealed. (p. 486). As the maintenance of workable competition is easier to achieve in a climate favourable to the development of innovations, revisions of anti-trust laws should be accompanied by appropriate tariff, taxation and monetary policies. An anti-trust policy "if it is to be effective must be taken into account in almost every type of action undertaken by the public authority." (p. 483).

Professors Papandreou and Wheeler have produced a useful volume. Part I is an enlightening analysis of firm behaviour and Part II contains a wealth of information respecting the role of government in regulating business activity. Few people who really believe in free enterprise will take exception to the aim of "maintaining workable competition." The book was produced "to serve primarily the reader who has only a basic acquaintance with the principles of economics." This reviewer feels that it was written at a somewhat higher level. Surely any reader, regardless of training, would become "annoyed" at the multiplicity of terms requiring careful definition which follow one another in rapid succession (e.g. there are six on page 176) throughout a large portion of the book. Despite the tedium which the reader is likely to experience in dealing with such a large number of carefully defined terms, anyone who is interested in competition and its regulation would benefit by studying this work.

—M. K. Inman, Head of Economics Department
University of Western Ontario

STRATEGY IN POKER, BUSINESS AND WAR

by John McDonald. W. W. Norton and Co. Inc., New York. 128 pp. $3.00.

Strategy is the key to success in poker, business or war. In the big games of life, it is a mastery of strategy which separates the men from the boys. This book puts into words those tacit principles which you have learned in your professional life or in your tests of skill in poker.

Poker is placed at the top of strategic games. Unlike many gambling games, where chance only determines the result, in the long run it is strategy and not chance which determines the result in poker. You will lose just as certainly by betting on winning high hands only, as by betting on every hand. Both you and your opponent are faced with uncertain knowledge in greater or less degree. You attempt to discover the pattern of his behaviour. If a pattern emerges the rest is easy. You deliberately break the pattern of your action. You "bluff it out", or you may plan to have a "bluff" discovered. In the long run, relatively good strategy wins.

The principles of war obviously follow strategy in poker. Imperfect information, actions intended to be "hidden" or to be "found out", behaviour patterns, and playing them "wide-open" or "close to the belt" are common to both. It is the idea that similar strategy applies to business which will interest many readers.

Three types of games are recognized. First, the one man game—man against the odds or probabilities—Robinson Crusoe against the facts

and forces of his environment. Second, the two man game, the strategy of pattern breaking, and direct competition. Third, three or more participants, introducing combinations of many forms, the simplest of which is the temporary combination of the two trailing participants against the player ready "to go out".

The book represents ten years of attention and study of the proposals in the highly mathematical treatment of Von Neuman and Morgenstern[1] in 1944.

Conversely, this work is written so that everyone may read it, and it sparkles with a delicate humorous touch, delightfully pointed up by the whimsical illustrations of Robert Osborn. Anyone who has ever played ardorously at either business, war or poker should enjoy every page of it.

[1]John von Neuman and Oskar Morgenstern, "Theory of Games and Economic Behaviour", Princeton University Press, 1944.

—Edward E. Reilly, Professor of Economics
University of Western Ontario

READINGS IN GAME THEORY AND POLITICAL BEHAVIOUR

by Martin Shubik. Doubleday and Company Inc., New York, 1954. 74 pp. $.95.

For centuries the application of discoveries in the field of mathematics to problems in the physical sciences has been very rapid. Social scientists, on the other hand, have been slow to adapt mathematical tools for their research. This short book, written by a mathematician — Dr. Martin Shubik of Princeton University—is an attempt to reconcile these two seemingly unrelated fields of human endeavour. The book is a collection of writings by various authors on the use of game theory in investigating political behaviour such as election campaigning or war strategy. The idea parallels the growth of research, which can be defined as the application of the scientific method in business problems in order to give businessmen a quantitative basis for decisions. In the case of Operations Research, scientific method refers to observation, experimentation and the use of statistics, probability, advanced mathematics and symbolic logic.

It would seem at first that games and politics have nothing in common, for a game is by definition simply "a contest played according to set rules". However, there are certain areas in which the two fields overlap. Both games and politics involve making decisions, abiding by rules, communication of ideas, false information leaks, bluffing,

double-crossing and forming coalitions. Dr. Shubik does not suggest that all political situations can be described in terms of the mathematical probabilities of alternative happenings, but he points out the fact that both games and politics require an analysis of the other person's point of view and that underlying both are the motives of individuals. He also points out that, although no two people are alike, in certain situations they tend to separate into various groups whose behaviour can be predicted, for example consumers or voters.

Dr. Shubik has made a worthwhile move towards bringing together the talents of mathematicians on one hand and social scientists on the other. He has done this by describing for the mathematician the problems of the social scientist and enumerating for the social scientist the mathematical tools available. In his book are found many specific examples of the application of game theory to problems in political behaviour. The book should prove interesting to anyone having an interest in either or both of these fields.

—Bob Grindley
U.W.O. School of Business Administration

AUTOMATIC MERCHANDISING

by Dr. Martin V. Marshall, Harvard Business School, Division of Research, Soldiers' Field, Boston 63, Mass. 271 pp. $3.50. November, 1954.

Professor Marshall adequately reviews the history of automatic vending with principal focus on the significant growth since 1945. He examines the principal areas of usefulness of these machines and analyzes their limitations.

Four studies in the book are of special interest. These set forth the experiences of a large operator specializing in vending machines for in-plant food dispensing, railroad passenger feeding and the results secured with automatic machine merchandising by two department stores.

He concludes that this is a field dominated by small entrepreneurs, most of whom are unskilled in business techniques. The author feels that automatic vending shows no promise of revolutionizing selling. It is a high cost operation and as such will not reduce distribution costs.

The book is an excellent presentation by one who has had a broad education on distribution. Dr. Marshall is assistant professor of Business Administration at the Harvard Business School.

—F. W. P. Jones, Dean
U.W.O. School of Business Administration

AUTOMATIC SELLING

by G. R. Schreiber, John Wiley and Sons Inc., New York 16, N.Y. 1954. 195 pp. $5.00.

This book might have been entitled, "The Silent Salesman". Author Schreiber, editor of *Vend,* the industry magazine, and a pioneer in automatic selling, is well qualified to write this history of automatic selling and give the reader an insight into the future of this method of retail distribution.

Mr. Schreiber feels that the growth of automatic selling (300% over the past ten years) will continue at an astounding rate. Approximately three million vending machines in operation in 1953 distributed over $1½ billion worth of goods in the United States, yet only a limited variety of products is sold through vending machines. Automatic selling has freed high-priced sales persons from selling convenience and nuisance items, and substantially increased the sales of many products by making them available automatically at any hour and on any day.

What are the limits to the growth of automatic selling? Legislation often has failed to distinguish between merchandise vending or service machines and other types of coin-operated machines. Furthermore, there are limitations due to price (machines are limited to dealing in coins); package (only small items can thus be dispersed); and consumer reaction to the machines. Whether or not a product will vend depends on these limiting factors plus (a) brand acceptance and (b) wide appeal of the product.

Until 1950, vending machines were confined to convenience goods such as candy, gum, soft drinks and cigarettes. Now, however, automatic selling is invading the take-home market and being used for milk, fuel oil, coal and ice, etc. Vending machines offer many products and give choice to the consumer, thus fulfilling the principle of selectivity. This type of selling has grown particularly in industrial plants by replacing cafeterias.

Mr. Schreiber's enthusiastic coverage of automatic selling, from costs to limitations, may convince the reader that no other retailing development since the introduction of the self-service supermarket holds so much promise for so many diverse interests, and that in the future automatic selling will continue to sell more and more relative low profit high turnover, convenience items.

—David S. McGarry
U.W.O. School of Business Administration

"THE BARLEY AND THE STREAM"—THE MOLSON STORY

by Merrill Denison. McClelland & Stewart Limited, Toronto, 1955. 412 pp. $5.00.

"Many a peer of England brews
Livelier liquor than the Muse . . ."

And Canada also has its storied and ancient family associations with an industry that is as old as civilized society. Mr. Merrill Denison has written a vivid history of the house of Molson, both as a study of a family which has played an impressive role in Canadian history and the story of an industry which has grown in concert with the expansion of this nation. Starting with the arrival in Montreal of John Molson from Lincolnshire within a generation of the British Conquest, the narrative is carried almost to the present day.

Mr. Denison's writing is based upon an impressive body of research and the treatment illustrates an appreciation of the fluctuating fortunes of Canadian history in war and peace, prosperity and adversity, and the impact of temperance and social movements. "The Barley and the Stream" rightly carries the sub-title "a footnote to Canadian history", providing as such another well-marked tree in the still largely unsurveyed forest of Canadian business history.

The diversity of interest of succeeding generations of the Molson family in education, medicine, steamboat and railway transport, banking and religion makes the book much more than the dry recital of business statistics, and it is further enhanced by the liberal use of pictures.

—J. R. W. Gwynne-Timothy, Assistant Librarian
University of Western Ontario

HUGH ROY CULLEN—A STORY OF AMERICAN OPPORTUNITY

by Ed Kilman and Theon Wright. Prentice-Hall Inc., New York, 1954. 376 pp. $4.00.

One of the most striking features of the October-November election campaign in California, as the London Economist commented, was the transformation of the incumbent Governor, Mr. Goodwin Knight, well known for his extreme right-wing Republicanism, into a passable imitation of his liberal predecessor, present Chief Justice, Mr. Warren, by professional public relations experts, the firm of Whitaker and Baxter

—a married couple who have earned a national reputation for defending the American Medical Association against compulsory health insurance and for running sixty-five successful election campaigns out of seventy conducted in the past twenty years. Not only did Whitaker and Baxter get full coverage in radio and press for "Goody" Knight's speeches; they wrote them, carefully striking a middle-of-the-road and even a liberal note . . .

Hugh Roy Cullen has not been so successfully handled by his biographers, Ed Kilman, editor of the Houston, Texas, Post, and Theon Wright, another newspaper man. In this book he is too often allowed to speak his own mind, and readers may consequently find the book aggravatingly repetitious and right-wing Republican. But the life story of a multi-millionaire is always interesting, particularly that early period when he has to pull himself above his fellows to accumulate his first million. As a suddenly successful wildcatter in Texas oil royalties after unsuccessful efforts at cotton buying and Houston real estate, Hugh Roy Cullen is an attractive character, and he has been generous indeed to Houston, its university and Texas Medical Centre ($7,367,000).

Indeed, to celebrate the publication of this book "to inspire young Americans to believe in free enterprise", Houston's Mayor Roy Hofheinz orated: "Houston is so proud to have been the place where the touch of the hand of Cullen's has been permitted to fall by Almighty God." Cullen responded: "I became convinced that the only way to counteract some of the false theories abroad in the land would be to meet these with the true story of an American boy who by hard work, faith, honesty and courage, pushed obstacles aside and succeeded in life only because he lived in a land which permitted individual initiative to prosper. If this biography should in some measure impart to the youth of America that they also can succeed . . ."

Spectacular as is the sudden rise to success after years of striving, stupendous as is Cullen's achievement of giving away in his lifetime more than any other man, the book is hardly calculated to convince any who are unconverted. Whether giving away money or personal opinions, Roy Cullen operated with equal vigour and enthusiasm, yet the limitations on the Cullen Foundation ("not a cent to be spent outside Texas") may make the Canadian reader wonder whether the wisdom of this oil man—philanthropist is not equally limited, when he publicizes so profligately, and in repeated doses his personal opinions on world affairs ("If we do away with our tariffs and have free trade, it will wreck the financial structure of our country.") and American domestic politics ("If the Bricker Amendment is not passed, the Republican party is wrecked.") To achieve his aim, to inspire and above all to convince, Cullen would surely have done better to employ Whitaker and Baxter.

FAITH AND FREEDOM

by Barbara Ward. W. W. Norton and Co. Inc., New York. 308 pp. 1955. $3.75.

Readers expecting to meet again the same Barbara Ward as the clear-thinking and -writing former foreign affairs editor of the Economist and pungent author of "The West at Bay" and "Policy for the West" will be certainly surprised with her new book; some may be disappointed.

Miss Ward after delving into mankind's pre-history finds two driving forces: one vitality is the protective association of the tribe; the other the sheer urge for survival. Through the pages and centuries she traces these driving forces, through the dawn of wisdom in the earliest civilizations, to the law and logos of the Greeks, and to the first church-built unity of Europe destined to destruction by these very vitalities, exploited and perverted both by Machiavelli and his disciples and later by Karl Marx, and on to the present divided world in which mankind is today searching for a workable policy to meet the crisis.

Miss Ward acknowledges that she is wrestling with the angel of history and has drawn much on the writings of Christopher Dawson, Jacques Maritain, Reinhold Niebuhr, Arnold Toynbee and R. H. Tawney; but her struggle in the first three quarters of the book appears to leave her too exhausted to deal adequately on this occasion with a present policy for the west.

To find alternatives to defeat the communist panacea from exploiting man's urge for survival, she examines first the modern welfare state, which has gone far to falisfy one of Marx's most fundamental predictions of disaster — that the workers under capitalism must grow even poorer and thus never provide a market sufficient to absorb industrialism's growing supplies of goods: but it fails in her view to lessen the sense of division between "we" the workers and "they", the privileged, the wealthy, the classes that must be "soaked" to support us. Secondly, in the new profit-sharing and co-partnership plans being developed in North America, there is hope that not only is the worker's urge for survival satisfied, but also his concern with status. "To give the worker both stake and status in his own enterprise would go part of the way toward closing the rifts in our modern industrial order . . . The typical institution of modern industrialism—the business corporation—is owned nominally by its shareholders. They have abdicated the control which traditionally goes with ownership to the managerial group. Since control should rest on effort and responsibility, their abdication is natural and inevitable. The simplest and most direct method of ending this universal state of absentee landlordism could be in formally completing

the divorce which already exists between management and ownership. The ownership of shares should no longer confer rights of control." Thirdly, to obviate any danger of workers becoming unemployed and turning to Marx, western nations must each have full employment programmes, a prosperous world order achieved if necessary through governmental housing and road-building.

The other driving force—the tribe—expressed in modern nationalism, has succeeded so far in overcoming every movement to lessen its exclusive claims. The Gray, Bell, Rockefeller, Douglas and Randall "reports by American experts have recommended some or most of the major lines of policy needed. The difficulty lies in the unrepentant nationalism of the Western Partners and in the hold on their minds exercised by exclusive doctrines of national self-interest . . . The relationship today between the privileged nations of the west and underdeveloped areas of the world offers a startling analogy with the conditions which prevailed within early industrial society when Marx and Engels wrote their indictments and predicted the ruin that lay ahead." Miss Ward looks rather dubiously to a rejuvenated Atlantic Council to overcome this modern nationalism.

The final chapter, Faith and Freedom, states the west's need for faith. "The west will prove more vulnerable than other society if it abandons the pursuit of visions and ideals, for more than any other community, it is the product not of geographical and racial forces but of the molding power of the human spirit. Both European society and its extension into the new world have been sustained by a unique faith in man . . . Man is not master of the universe because he can split the atom. He has split the atom because he first believed in his own mastery." Granted all this, Miss Ward wants us each individually to follow Pilgrim's Progress, and she still leaves unsolved for the individual the real $64 question, whether he should remain in contemplation, inactive and defenceless and leave the enemy to progress unhindered.

A FOREIGN ECONOMIC POLICY FOR THE UNITED STATES

by Clarence B. Randall. University of Toronto Press, Toronto, 1955. 83 pp. $1.95.

These three lectures on "The Urgency of Our Dilemma", "Toward Liberalization of Trade" and "Barriers to Trade Liberalization" were given under the auspices of the Walgreen Foundation at the University of Chicago. Although they lack the detail and divergent views of the full report of the Commission on Foreign Economic Policy, of which Clarence B. Randall of Inland Steel was Chairman, they illustrate the thinking of an eminent American businessman, explained in his own

language, without official jargon or even clearance from Washington. And his thinking is important since he is at present serving as special consultant to President Eisenhower on matters of foreign economic policy.

Here, with the inevitable "American destiny to lead this new world for the betterment of all mankind" are some logical conclusions that as American pre-eminence has been based on private initiative, vigorous competition and the free market, the American domestic market should not be closed to foreigners by prohibitive tariffs, the Buy-America Act and all the intricacies of administrative protection. Mr. Randall also rightly emphasizes the importance of having and keeping to a foreign economic policy. Some stability of conditions is urgently required. The uncertainty of American policy and the constant danger that policy, if it exists, will be stretched to prevent freedom in individual cases, have prevented many from undertaking the expensive investment of selling in the United States.

THE ECONOMIST IN THE TWENTIETH CENTURY

by Lionel Robbins. The MacMillan Company of Canada Limited, 1954. 225 pp. $2.75.

Invited to lecture at Rio de Janeiro by the Brazilian Institute of Economics, Lionel Robbins, Professor of Economics at the London School of Economics and Political Science, selected such current topics as the dollar shortage, the control of inflation, the mechanism of international payments, the classical theory of commercial policy, commercial policy in the present age, and problems of international financial reconstruction.

In this book, together with these brilliant lectures, Professor Robbins has included an oration delivered on the fifty-third anniversary of the foundation of the London School of Economics, "The Economist in the Twentieth Century", a second chapter on full employment as an objective and a final chapter on the Atlantic community and an annex on economic policy in wartime. With all nations jostling at Geneva to achieve their selfish aims and modifications to the General Agreement on Trade and Tariffs, Professor Robbins' clear outline of the rules should be compulsory and welcome reading.

HOW THE CITY WORKS

by Oscar Hobson. News Chronicle Book Department, London, England, 1954. 160 pp. about $1.

In pre-war days when Britain's popular morning papers devoted a whole page to financial news, the News Chronicle ran a series of articles

on "How the City Works". These were published as a book in 1938 and it is refreshing indeed to find that it is possible in 1954 for this collection to be republished with relatively few amendments. In other words, the whole machinery of the city which is here lucidly described, the banks and money market, the foreign exchange and London bullion market, the bulls and bears, brokers and jobbers at the stock exchange, the spot and forward dealings, the commodity markets from Hatton Garden to Mincing Lane, all are "back to normal".

Here in Canada where the one big futures market, the Winnipeg Grain exchange, remains closed, it is interesting to find Oscar Hobson, the doyen of British financial writers, still such a keen advocate of free commodity markets. Those who doubt their uses should read his chapter on spot and forward dealings. With the relaxation of controls and the re-opening of the free comodity markets, the city of London is again working very much on the old principles—even though the final and culminating instalment of freedom, the restoration of sterling "convertibility", has still to come.

OXFORD ECONOMIC ATLAS OF THE WORLD

Oxford University Press, 480 University Avenue, Toronto, 1954. 272 pp. $6.00.

This new reference book is the outcome of prolonged co-operative research and compilation by the Economist intelligence unit and the cartographic department of the Clarendon Press. It is intended to meet the needs of economists, geographers and businessmen engaged in trade, industry and agriculture who require basic information about world economics.

The atlas is in two main parts: first, world commodity maps grouped in ten sections, cereals, fruit and wine, beverages, vegetable oils, livestock, fibres, fuel and power, iron, steel and ferro-alloys, non-ferrous and other minerals, and last, industrial products; and secondly, the Index arranged country by country. This arrangement enables the reader to obtain a graphic picture of the sources of supplies of the commodity in which he is interested, and the Index shows the relative significance of different commodities in the economy of a country.

In the concluding section this invaluable reference work deals with man himself. The most important maps in it show the distribution of population and communications.

This world atlas is the first volume of a series. It is to be followed by regional atlases dealing in much greater detail with such areas as the U.S.S.R. and Eastern Europe, the United States and Canada, etc.

In any review it is impossible to picture adequately the comprehensiveness of this reference work and the ease with which information can be discovered on commodities ranging from abaca to zinc and on countries, over ten dozen in number, from Aden to Zanzibar. Any businessman engaged in international trade will find this reference work of constant value.

A CLERK OF OXENFORD

by Gilbert Highet. Oxford University Press, Toronto, 1954. 272 pp. $4.00.

Why does the Business Quarterly publish book reviews? Should a book review stand by itself as a literary contribution, condensing into a page the wisdom of a volume? Or is it no more than an expanded advertisement, a more lengthly descriptive come-on to the potential purchaser? Are book reviews worth reading for their own sake?

"Children ask lots and lots of questions, about religion, about sex, about the stars. But there are some questions they never ask: they leave grown-ups to ask them and answer them. Often this means that the questions are silly: that they are questions about non-existent problems, or questions to which the answer is obvious. Sometimes it means that the question *should* be asked, but that the answer is difficult or multiplex.

"So, children never ask what is the good of music. They just like singing and dancing. They never ask what is the use of poetry. They all enjoy poems and songs, and very often come to like them before they even talk properly . . ."

Thus begins the second section on Poetry and Poets of Gilbert Highet's varied essays—they are far more than book reviews—on literature and life entitled "A Clerk at Oxenford". Born in Scotland and educated at Oxford, Gilbert Highet has been since 1938 Professor of Latin Language and Literature at Columbia University, but his books, "The Classical Tradition", People, Places and Books", "The Migration of Ideas", "Man's Unconquerable Mind" and "Juvenal the Satirist", and more particularly his radio talks have brought to a far wider circle of admirers his deliciously clear style, diverse reading and stimulating commentaries. All businessmen wanting to turn for relaxation to wider interests, all book-lovers will like this man, who paraphrases Chaucer's clerk of Oxenford,

> "And he would rather have, at his bed's head,
> Twenty good books, bound in black or red,
> Of poetry, or of philosophy,
> Than a silk shirt, or a wide screened TV."

What twenty books? In the first group of essays, "The Arts of Prose", Highet wanders from dreams and dream writings, past humourists such as Sydney Smith, via the ice and fire of Iceland's sagas and books of wisdom that provide a fund of epigrams for the after-dinner speaker, such as La Rochefoucauld's "Quarrels would not last long if all the wrong were on one side", to put Lytton Strachey in his place and debunk the boom in historical romances.

"Almost any incident, almost any period can be livened up by putting a woman into it. Suppose we take a typical romantic heroine, green-eyed and red-haired, sexy but pure in heart, a tasty dresser, clever and energetic, with a touch of the gamine, the gay, and the irresponsible; suppose we call her Molly Madcap.

"Just imagine the titles. *Molly Madcap and the Civil War*—no, that's been done, hasn't it? *Molly Madcap and the Fourth Crusade*—we could make her a Byzantine princess who almost outwits the crusaders and sets them all to fighting for her sake. Or take Rome, *Molly Madcap and Julius Caesar*—no, Bernard Shaw wrote that one and Vivien Leigh acted it. Well, then, *Molly Madcap and the Other Borgias.* Or this, the best of all, *Molly Madcap and Her Little Ship the Nina.* We could bring in Columbus as a subordinate character: it was really the irresistible charm and energy of our heroine which convinced the crew to sail on and on . . ."

In his final section, entitled Imagination and Reality, Mr. Highet ranges far and wide to talk about such things as witches and witch-hunting, mountain climbing, chess, escapes from prison, the art of invective—all of interest and importance to top level business executives, who have no doubt been missing Molly Madcap for months in both articles and book reviews of The Business Quarterly.

—A. Gordon Huson, Associate Professor
U.W.O. School of Business Administration

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